



Financial Reporting Bulletin

• *Office of Thrift Supervision* •
• *Financial Reporting Division* •

It is important that you read this bulletin and the attached materials before submitting your Thrift Financial Report.

JUNE 2002

TFR DEADLINE INCLUDING SCHEDULE SB – TUESDAY, JULY 30
SCHEDULE HC AND CMR DEADLINE – WEDNESDAY, AUGUST 14
BRANCH OFFICE SURVEY DEADLINE – MONDAY, AUGUST 26

IN THIS ISSUE

New Electronic Filing Software	2
OTS Financial Reports Subscriber	2
Branch Office Survey	3
Second Quarter Filing Deadlines	3
Schedule SB, Small Business Loans	4
Software Corner	4
June 2002 TFR Instruction Manual Updates	5
Questions and Answers	7
FRD Contact List	12

NEW ELECTRONIC FILING SOFTWARE

OTS will mail Electronic Filing Software (EFS) Version 3.3.0 to all institutions on June 20, 2002. Please install this new version and connect to the OTS network **as soon as you receive it** (*Transmit >Receive Acknowledgments and Notices>Next>Transmit Now*) to ensure a successful connection and to obtain any late-breaking news on reporting issues and/or available EFS software upgrades. Prior to connecting to the OTS Network, you should **always** verify your ***Institution Information*** and ***Transmission Configurations***. Select *Institution Setup* from the main menu and update any missing or incorrect information. Enter the **address of the person who prepares the financial reports**. This address is used to mail reporting instructions, bulletins, and software.

If you have not received EFS Version 3.3 by July 8, contact Doris Jackson by email at doris.jackson@ots.treas.gov or by phone at 972-277-9618. Note that EFS includes the Branch Office Survey, which is due August 26th and is discussed on pages 4 and 5 of this bulletin.

Changes to the new EFS include:

- EFS Quick Importer, which replaces the Time-Saver feature that was available in the OTSReporter software.
- Print scale intervals have been decreased to increments of 1 from 80% to 100%. Additionally, your selected print scale will be saved for subsequent print tasks.
- You can now save your pending changes to TFR and CMR reports without having to close the reports.
- CMR OBS/OAL/RMV supplemental entries are now tracked and displayed chronologically.
- We have revised several edits and expanded the edits for Schedule FS.
- We have realigned the regions according to the recent OTS reorganization.

OTS FINANCIAL REPORT SUBSCRIBER

Beginning with the June TFR, you will be able to download and print your Uniform Thrift Performance Reports (UTPRs) directly from OTS. This application is included on the CD Rom that contains EFS, and it is called "OTS Financial Reports Subscriber". The reports that will be available for all thrifts are:

- Five-Quarter Summary UTPR
- Five-Quarter Complete UTPR
- Three-Year Summary UTPR
- Three-Year Complete UTPR

For mutual institutions, two additional reports will be available:

- Five-Quarter Mutual UTPR
- Three-Year Mutual UTPR

The peer groups in these two reports are made up of mutual thrifts only, stratified by asset size and reported by region.

As a general rule, the UTPR for a quarter will be available on the Tuesday after the report due date. For example, you will be able to download your UTPR for June 2002 beginning August 6, 2002. Until that date, any UTPR you download will be for March 2002.

In addition, UTPRs will be updated every Monday evening, making available updated versions every Tuesday. If you amend your current quarter's TFR, you may download a current UTPR that reflects those changes on the Tuesday following the date you filed your amendments. Once we begin updating UTPRs for a quarter, the reports for the **prior** quarter will no longer be available; therefore, because amendments may change peer group ratios, you may want to download a final UTPR when you file your next TFR.

For your reference, we are providing the following schedule of availability dates for UTPRs:

<u>Reporting Quarter</u>	<u>Reporting Due Date</u>	<u>First UTPR Available</u>	<u>Last UTPR Available</u>
June 2002	Tuesday, July 30, 2002	Tuesday, Aug. 6, 2002	Monday, Nov. 4, 2002
September 2002	Wednesday, Oct. 30, 2002	Tuesday, Nov. 5, 2002	Monday, Feb. 3, 2003
December 2002	Thursday, Jan. 30, 2003	Tuesday, Feb. 4, 2003	Monday, May 5, 2003

If you have questions about the availability of UTPRs, contact Jacquie White by phone at 202-906-6464 or by email at jacqueline.white@ots.treas.gov. If you have technical questions about the operation of the Financial Reports Subscriber, contact Tim Brooker by phone at 202-906-6926 or by email at tim.brooker@ots.treas.gov.

BRANCH OFFICE SURVEY (BOS) DUE MONDAY AUGUST 26

The Branch Office Survey report is an annual survey of deposit data as of June 30th. It should be transmitted on or before Monday, August 26, 2002. You must transmit your June 2002 TFR **before** you transmit your BOS report. You must use the OTS EFS software to prepare and transmit BOS. Paper copies will not be accepted. Once you transmit BOS, it cannot be amended.

OTS no longer mails out a hard copy of your previous year's report. If your institution reported BOS last year, you must download your BOS 2001 structural data (select *Transmit >Download Financial Data >BOS* to download from the OTS network). Once you download your branch office information, verify that it is still correct and make any necessary changes for 2002. You will need to update the change code representing the status of all of your previously reported branches. Change codes are available in the EFS Help Guide. Select *Help >EFS Help Guide > Index >Branch Office Survey* for complete instructions. You may then input your deposit information.

If you filed BOS in 2001, the BOS module will be locked until you download and import your prior year's BOS data. You may download your prior year's BOS data at any time, but you must transmit your **June 2002 TFR** prior to **transmitting** BOS. File your survey results electronically on or before Monday, August 26, 2002. Contact Cheyann Houts in our Dallas office by phone at 972-277-9617 or by email at cheyann.houts@ots.treas.gov, if you have questions about using the BOS module in EFS. For general information on BOS, contact Pam Schaar in Washington, D.C. by phone at 202-906-7205 or by email at pamela.schaar@ots.treas.gov.

SECOND QUARTER DEADLINES

You should complete and transmit the June 2002 TFR as soon as possible after the close of the quarter. All schedules except HC and CMR are due no later than Tuesday, July 30, 2002. Schedules HC and CMR are due no later than Wednesday, August 14, 2002.

Savings institutions that are exempt from filing Schedule CMR but choose to voluntarily file **must** follow the same filing deadlines as those institutions that are required to file. Institutions that fail to meet the filing deadline may not receive their interest rate risk reports for the quarter. We advise all voluntary filers to contact Doris Jackson (972-277-9618 or doris.jackson@ots.treas.gov) two days after transmitting their CMR to confirm that OTS received your CMR filing.

If you have any questions concerning the preparation of your report, please call your Financial Reporting Division contact in Dallas, Texas. If you have a problem with the electronic filing software or transmission, call Cheyann Houts at 972-277-9617 or Doris Jackson at 972-277-9618. You may email reporting problems to tfr.instructions@ots.treas.gov.

SCHEDULE SB, SMALL BUSINESS LOANS

Schedule SB, Consolidated Small Business Loans, is filed annually with the June 30 TFR. Schedule SB is included in EFS under the TFR tab. We have made no changes to the form for Schedule SB, which must be transmitted with the TFR and is due no later than Tuesday, July 30th. The instructions for Schedule SB were expanded in March 2002 to clarify that if you have no loans to report, you should respond **No** to both SB100 and SB110 and leave the remainder of Schedule SB blank.

SOFTWARE CORNER

Prior to connecting to the OTS Network for any reason, you should always verify your Institution Information and Transmission Configurations. Select *Transmit >Receive Acknowledgments and Notices>Next>Transmit Now* to ensure successful connection and to receive any late-breaking news on reporting issues and available EFS software upgrades.

It is important to back up your data using the Backup/Restore option prior to installing an EFS software update and after every successful transmission to OTS.

Amend Mode

After you have successfully transmitted your report(s), any changes you make to the report will automatically be in the Amend Mode. The COF, TFR, CMR and HC reports can be amended. To do so, enter your changes directly onto the appropriate line(s). Process and print the Edit Checks and related User-notes. Click on *System >Reports >Amended Difference Report* to print the Amended Difference Report prior to transmitting your amendments to the OTS.

The Amended Difference Report **will not** be available **after** successful transmission of your amendments.

Recalculating Amended Totals

Line-item cells are color-coded according to the type of data entry available. **Gray** cells are available for manual entry and amendments. **Green** cells are automatically totaled and cannot be overwritten or bypassed. **Yellow** or import-value cells allow for manual entry or are automatically calculated and available by pressing the [F7] key. **If you amend a line that will affect an import value of another line, you must select the appropriate imported (yellow) field and press the [F7] key to import the recalculated value or manually enter the new total.**

For example: SC110, Cash and Non-interest-earning Deposits, is a component of the total on CCR27, Tier 1 (Core) Capital Requirement. An amendment to SC110 will affect the imported value of Line CCR27; therefore, you must go to Line CCR27 and press [F7] to recalculate and update the amended value. You will know that this is most likely the case if you fail any additional CCR edits (edits beginning with the letter "K" within the edit check feature).

Holding Company Data

To update or modify financial information for an existing holding company, select the appropriate holding company docket number located in the top window of the Schedule HC report screen. Update the desired financial information in the space provided. Click on the **Save** (diskette icon) to save your amendments before exiting.

Click on the **Add** (plus sign icon) only if the correct holding company docket number does not already exist in the top window. Click on the **Delete** (Waste can icon) if it is necessary to delete the selected holding company docket number.

JUNE 2002 TFR INSTRUCTION MANUAL UPDATES

Attached to this bulletin are 48 updated pages to the TFR Instruction Manual. The updated pages are dated June 2002. All changes are identified by a bar in the right margin. The changes are as follows:

Schedule SC, page 215, SC300, Secured Nonmortgage Commercial Loans: Clarified that nonmortgage commercial loans may in certain cases be secured by real estate.

Schedule SC, page 234, SC760, Other Borrowings: Added REIT preferred stock issued by a consolidated subsidiary to a third party in the list of items that may be included in this line.

Schedule SC, page 235, SC790, Deferred Income Taxes: Clarified that deferred income taxes from the same jurisdiction should be reported net, and that if a net debit balance results, the amount should be reported in SC690, Other Assets.

Schedule SC, page 238, SC799, Redeemable Preferred Stock and Minority Interest: Added REIT preferred stock issued by a consolidated subsidiary to a third party in the list of items that may be included in this line and that dividends on such REIT preferred stock should be reported in the income statement on SO491, Other Noninterest Income, using Code 08.

Schedule SO, page 317, SO811, Extraordinary Items: Deleted the items under "include" and added one item under "do not include" to conform the TFR instructions to FASB Statement No. 145.

Schedule PD, pages 502 and 503: Added instructions for reporting partial loan payments as past due. These instructions were previously published in Q&A No. 020, in December 1997.

Schedule CC, page 704, CC455 and CC465, Recourse Obligations: Clarified that purchased credit-enhancing exposures are direct credit substitutes.

Schedule SI, page 911, SI404, Other Residual Interests: Clarified that IO strips issued by the government or government sponsored enterprises are excluded unless they meet the definition of residual interests in 12 CFR 567.1.

Schedule SI, page 911, SI581, 582, and 583, QTL: Deleted the obsolete statement on field size limitation.

Schedule HC, page 1302, HC300, Total Liabilities: Added instructions to include minority interest in common stock of consolidated subsidiaries on this line.

Schedule HC, page 1303, HC510, Intangible Assets and Deferred Policy Acquisition Costs: Modified the instruction to include certain intangible assets listed in paragraph A14 of FASB Statement No. 141, *Business Combinations*. Under this FASB Statement, some assets that previously may not have been characterized as intangible are now so characterized, including mortgage servicing rights and computer software costs.

Schedule CCR, page 1508, CCR125, Minority Interest in Includable Consolidated Subsidiaries: Clarified the reporting of REIT preferred stock of includable, consolidated subsidiaries in Tier 1 capital.

Schedule CCR, page 1518, General Instructions to Risk-weight Categories: Corrected the number of risk-weight categories to four.

Schedule CCR, pages 1520, 1521, and 1525, CCR430, High-quality MBS, and CCR470, Other MBS: Clarified that stripped MBS cannot be risk weighted at 20% or 50%.

Schedule CMR, page 1609, Fixed-rate, Single-family, First Mortgage Loans and MBS: Emphasized that mortgage securities should be reported in the coupon range that corresponds to the pass-through rate not the coupon rate of the security.

Schedule CMR, Page 1630, Mortgage-Derivative Securities: Added a cross reference to self-valuation in Supplemental Reporting of Market Value Estimates, because all mortgage derivatives, whether high or low risk, must now be self-valued.

Schedule CMR, pages 1647,1648, 1649, 1650, 1653, Early Withdrawals and New Deposits: Expanded the definition of these items that are no longer optional and noted that they **remain optional** for those institutions with total assets of **less than \$300 million**.

Schedule CMR, Appendix A, page 1701: Corrected a typo in the heading and expanded Code 312.

Questions & Answers

We post TFR Questions and Answers on the OTS web site at www.ots.treas.gov/tfrqanda.html. If you have a question that you would like posted, please submit it to tfr.instructions@ots.treas.gov.

Q&A No. 164

SUBJECT: QUALIFYING SINGLE FAMILY RESIDENTIAL MORTGAGE LOANS

LINE(S): CCR460

DATE: June 10, 2002

Question: *On 5/10/02, a final rule was published in the Federal Register that removed the 80% LTV limit for Qualifying Mortgage Loans. The new definition of Qualifying Mortgage Loans in 12 CFR part 567.1 lists several criteria, including prudent underwriting, relating to the LTV ratio (See the Interagency Real Estate Lending Guidelines at 12 CFR 560.101.)*

Would loans with LTV ratios over 90% still qualify for 50% risk weight as long as they conform to the underwriting standards found in the Interagency Guidelines for Real Estate Lending?

Answer: The Real Estate Lending Guidelines urge savings associations as well as other types of banking organizations, to require appropriate credit enhancement if a mortgage exceeds 90% LTV. See 12 CFR 560.101, and the footnote in the section on supervisory loan-to-value limits. While not prescribed by regulation, these guidelines constitute a supervisory presumption of safety and soundness. To overcome that presumption a bank or thrift must demonstrate to the examiners' satisfaction that a loan over 90% LTV is both prudently underwritten, and that it qualifies for the 50% risk weight in spite of the absence of private mortgage insurance or other appropriate credit enhancement. Such a loan would not typically qualify for the 50% risk weight.

Q&A No. 165

SUBJECT: RECOURSE RULE – 120-DAY EXCEPTION

LINE(S): SCHEDULE CCR

DATE: June 10, 2002

Question: *How does the November 2001 Recourse Capital Rule apply to 1-4 family loan sales? And what is the 120-day exception?*

Answer: In general, Recourse involves selling assets where:

- You agree to buy the assets back if there is a problem
- You sell the assets with credit-enhancing representations and warranties that reduce credit risk for the purchaser while retaining credit risk for the seller

- You retain servicing and you have an agreement to absorb or otherwise be responsible for losses on the assets you service (with the exception of Servicer Cash Advances as defined)
- You retain a subordinate interest in the assets you have sold

In a simple example where you have sold 1-4 family loans with recourse, you would have to multiply the full amount of the assets you have sold by a 100% conversion factor, effectively bringing them back on your balance sheet for risk-based capital purposes. (See 567.6 for complete detail.)

The 120-day exception allows a contract period during which qualifying single-family mortgage loans may be returned to the seller, without the selling institution having to treat the loan sale as a recourse sale.

The return period stipulated in the contract must not exceed 120 days. A sale that allows a return period of 180 days is a recourse sale immediately from the first day. Therefore if you wish to take advantage of the exception, it is important that your contract return periods **do not exceed 120 days**.

The 120-day exception applies only to 1-4 family loans originated within one year prior to the sale. The loans must meet the criteria for 50% risk weight according to the definition of "qualifying mortgage loan."

Refer to the definition of Recourse in 12 CFR 567.1 for a more detailed description. In section 567.1 you will also find the definitions of "credit-enhancing representations and warranties," "qualifying mortgage loan", and "servicer cash advance."

Q&A No. 166**SUBJECT: COMMERCIAL LOANS SECURED BY GNMA SECURITIES****LINE(S): SC300, CCR450, CMR325****DATE: June 10, 2002**

Question: *We have a commercial loan that is 105% secured by GNMA securities. When I read the TFR instructions my interpretation is this loan should be reported on SC300 Secured Commercial Loans. On Schedule CCR I am interpreting that this loan should be reported on CCR405, Securities Backed by Full Faith and Credit of US Government, since the collateral is GNMA securities. On CMR I will record it on CMR325.*

Answer 1: SC: Yes, you are correct, the loan should be reported on SC300, Secured Commercial Loans, as long as the loan is fully secured.

Answer 2: CCR: The capital regulations include in the **20%** risk weight category, "That portion of assets collateralized by the current market value of securities issued or guaranteed by the United States government or its agencies...". You should report an asset fully collateralized by GNMA's on **CCR 450**, "Other 20% Risk Weight Assets". This treatment only applies to assets issued or guaranteed by the United States government or its agencies and does not apply if the collateral is FNMA or FHLMC securities.

We recommend that you monitor the value of the collateral and require the borrower to provide additional collateral should the value of the securities fall or the loan balance increase. To the extent the loan is not **fully** collateralized by the securities, the remainder of the asset would not be 20% risk weighted. It would be risk weighted as an unsecured commercial loan at 100% on CCR505.

Answer 3: CMR: You are correct. This loan should be reported on CMR325 or CMR326, depending on whether it is fixed-rate or adjustable-rate.

Q&A No. 167**SUBJECT: LOAN CLASSIFICATION****LINE(S): SCHEDULE SC****DATE: June 10, 2002**

Question: *We have both consumer and business loans that are secured by real estate with both a first and second lien. We do not have information available concerning the use of the proceeds of the loan and we do not always get an appraisal (particularly for consumer loans). We look at a recent tax*

assessment to value the property and to determine the loanable amount. The loan-to-value would be no greater than 80%. Should we classify these loans as mortgage loans?

Answer: It depends on the size of the loan. If the loan is \$250,000 or more, a tax assessment generally would not be sufficient. If the loan is under \$250,000, you may use an evaluation pursuant to TB 55a, in which the property's value is determined by market information, including property tax assessments. However, someone in your institution needs to make a determination of the assessment, determine the condition of the property and whether it accurately reflects market value, and then sign and date the evaluation report. You may want to review TB55a, Interagency Appraisal and Evaluation Guidelines, at www.ots.treas.gov/docs/84042.pdf and it might be advisable for you to contact your OTS examiner to assist you in determining the classification of your loans.

Q&A No. 168

SUBJECT: ADJUSTMENTS TO LOAN DOCUMENTATION SUBSEQUENT TO ORIGATION

LINE(S): SCHEDULE LD

DATE: June 10, 2002

Question: *On Schedule LD, if subsequent to origination, but before the reporting date, a correction or amendment is posted to a loan, should we report the loan net of this adjustment, such as PMI added to the loan or a correction of appraisal or purchase price that was entered incorrectly?*

Answer: Yes, you should include corrections and amendments such as the ones you have listed when calculating LTV and report only loans without PMI or government guarantee where the current balance of the loan is equal to or greater than 90% LTV. See also Q&A No. 126.

Q&A No. 169

SUBJECT: QTL TEST – MORTGAGES ORIGINATED AND SOLD

LINE(S): SI581, SI582, SI583

DATE: June 10, 2002

Question: *Please clarify QTL line 20 – 50% of Residential Mortgage loans originated and sold within 90 days. Regarding "originated and sold," must the term "originated" be narrowly interpreted, or can it also include loans purchased?*

Answer: The QTL worksheet instructions for that line item read:

"Enter 50% of loans on domestic residential housing that the association originated and sold within 90 days of origination, provided that the association sold these mortgage loans during the quarter for which this calculation is being made."

Loan originations could include loans purchased as long as the purchasing institution's name appears on the mortgage documents. That is, where the residential mortgage loans are originated by another entity in the name of the reporting institution and then purchased or transferred to the reporting institution they may be considered originated by the reporting institution.

Q&A No. 170

SUBJECT: CREDIT LIFE INSURANCE ON CONSUMER LOANS

LINE(S): CMR513

DATE: June 10, 2002

Question: *We have consumer loans on which we sell credit life insurance up front; this insurance is added to the principal balance and amortized over the life of the loan. Are we supposed to report these loans NET of this unearned insurance on CMR? If not, where is the unearned insurance amount reported?*

Answer: You should report these loans net of the unearned insurance on Schedule SC, but on Schedule CMR, you should report the unamortized amount of the insurance on CMR513.

Q&A No. 171**SUBJECT: DEFINITION OF OUTSTANDING BALANCE****LINE(S): SCHEDULE CMR****DATE: June 10, 2002**

Question 1: Does "Outstanding Balance" in CMR (pg 1602) mean the same thing as "Recorded Balance" in SC (pg. 208)? Schedule SC has 11 items by which the principal balance must be adjusted for, but CMR instructions just say "outstanding balance". Should balances on SC and CMR be calculated in the same manner?

Answer 2: "Outstanding Balance" for Schedule CMR is defined on page 1602 as: "the principal balance, net of LIP and before any yield adjustments or deductions for valuation allowances." In most cases, outstanding balance as reported in Schedule CMR is face value less charge-offs." Therefore "outstanding balance" in CMR is not the same as "recorded balance" in SC because outstanding balances in CMR are not adjusted for yield adjustments or specific valuation allowances. In Schedule CMR yield adjustments are reported on CMR504 and CMR513, and specific and general valuation allowances are reported on CMR507 and CMR516.

Question 2: Does an "outstanding balance" for CMR include late charges that have not yet been paid and finance charges (interest) that have been billed but not paid? For that matter, should the "outstanding balance" include any fees that are outstanding or should these unpaid fees be netted from the principal balance for CMR purposes? Also in the case of Mortgage Loans that capitalize interest, should this capitalized interest be netted from the principal balance on SC or CMR?

Answer 2: The outstanding balance reported in CMR should include late charges and interest **only** if they are capitalized to the loan. That is, if the loan contract permits late charges and unpaid interest to accrue to principal and permits the accrual of interest after the addition of these charges, then they become part of the principal balance that would be reported as outstanding balance. However, in most cases late charges, unpaid interest, and other fees do not become part of the principal balance unless the loan is restructured. Late charges, accrued interest, and other fees that are not part of the principal balance are reported on CMR502 and CMR512. In Schedule SC you can report accrued interest and other fees either with the loan balance or separately on SC272, Accrued Interest Receivable. Only interest for which collection is probable should be accrued.

Q&A No. 172**SUBJECT: CONSTRUCTION MEZZANINE (BRIDGE) LOANS****LINE(S): SCHEDULES CMR AND SC****DATE: June 10, 2002**

Question: Can you please advise as to whether SC250 is the correct place to put the following loans and also let me know where they should go on CMR?

Here are the details of the loans:

The builder sells the model homes to an investor with whom we have a loan. The loans are on single-family model homes in developments throughout our lending area. The loans are fully secured by the model home and its contents. The loans have maturities between 6 and 18 months, with an extension provision. They are interest-only, fixed-rate loans.

Answer: If the loans require a new loan contract once the houses are sold to individuals, these loans are mezzanine construction loans and should be reported as construction loans on SC230 and in CMR.

If there are separate loans for each residence and if the loans automatically roll over to permanent loans after the units are sold to individuals, they could be reported as permanent mortgages on 1-4 dwelling

units on SC250. In CMR they should be reported as fixed-rate, single-family balloon mortgages until they transfer to the individual and begin amortization.

Q&A No. 173**SUBJECT: NEW ACCOUNTS – NAME CHANGE****LINE(S): SCHEDULE CMR****DATE: June 10, 2002**

Question 1: *If an account is held in a joint tenancy and one of the joint owners passes away, we remove the decedent from the account without any modification to the rate, type, term, balance, or maturity date of the account. Does this constitute a new account?*

Answer 1: Yes, it would be considered a new account.

Question 2: *Would an ownership change to the individual (beneficiary) who may have assumed the funds as a result of an owner's death be a new account?*

Answer 2: Yes, as would an ownership change mandated by a divorce or lawsuit.

Question 3: *In determining whether there was a matured CD during the quarter that rolled over into a new CD, do we need to look for matches for all owners on both the new and matured CD's?*

Answer 3: Yes you need to look at all owners. If the ownership is not exactly the same, the certificate would be considered new.

Q&A No. 174**SUBJECT: NEW ACCOUNTS – ACQUISITIONS****LINE(S): SCHEDULE CMR****DATE: June 10, 2002**

Question: *Are deposits acquired via Bank acquisitions reported as new deposits?*

Answer: Yes, deposits acquired as part of an acquisition are considered new deposits.

Q&A No. 175**SUBJECT: NEW ACCOUNTS – MATURITY****LINE(S): SCHEDULE CMR****DATE: June 10, 2002**

Question 1: *Does the term "Original Maturity" refer to the original maturity of the opening of the account, or most recent maturity date from most recent term. For example: Mary Smith opened her first CD with the Bank on January 23, 1985 for a one-year term. At it's maturity, her account was rolled over and continued to be rolled over each year for the same term. Her most recent maturity date was January 23, 2002. Which maturity date is considered the 'original maturity date' for CMR calculation purposes?*

Answer 1: The original maturity is the maturity of the most recent (current) account, January 23, 2002.

Question 2: *Many customers have multiple certificates and in some cases they could come due simultaneously. Which one do you use to compare to any new CD's opened during that quarter?*

Answer 2: We prefer that you use the maturing CD with the longest term, thus you would be reporting the fewest new accounts.

Question 3: *In the case of a nonrenewable CD, is a rollover of the funds to another CD automatically "new" or do we still look at the term of the maturing CD compared to that of the new CD?*

Answer 3: You should look at the term of the maturing CD compared to the new CD, regardless of whether the CD was renewable or nonrenewable.

Question 4: *If a customer has a 6-month CD that matures and is rolled over for the same term (6 months) during the quarter and this same customer comes in and opens a new 3-month CD during the quarter, would we report nothing as "New", because there was no change in the maturity bucket for this customer.*

Answer 4: Yes, you are correct; the example you gave would not be a new account.

Question 5: *If a customer opened a 3-month CD during the quarter and rolled over another CD from a 24-month term to a 6-month term during the same quarter, would there be no "new" account, because both terms now fall under the 0-12 month category and one of the accounts is not new? Or would the 6-month CD be considered new this quarter, because the renewed CD had an original term of 24 months? Or would both CDs be new because one is actually new, and the other changed from 13-36 months to less than 13 months (a change in maturity bucket).*

Answer 5: In a rollover, any change in maturity bucket would be considered a new account, if the account holder did not previously hold a CD of that maturity bucket. Therefore, both of these accounts would be "new" accounts.

Q&A No. 176**SUBJECT: DEFINITION OF WITHDRAWALS****LINE(S): SCHEDULE CMR****DATE: June 10, 2002**

Question 1: *Is the criterion for "withdrawals" those where the CD holders were actually penalized during the quarter or is it all withdrawals on CDs (including the ones with waived penalties) during the quarter?*

Answer 1: The criterion is withdrawals during the quarter where contract stated that the customer would incur a penalty and the customer withdrew prematurely knowing (or should have known) that they would incur a penalty.

Question 2: *Assume a customer has a \$10,000 5-year CD. The CD is scheduled to mature on December 31, 2006. On January 1, 2003, the customer withdraws \$2,000.00. The bank imposes an early withdrawal penalty but allows the remaining \$8,000 balance to continue to maturity. What should be reported on CMR 604, 618, 633, & 642 for the March 2003 quarter – \$2,000 or \$10,000?*

Answer 2: \$2,000

Question 3: *Same as Question 2 above except that the bank imposes an early withdrawal penalty and closes the CD. What should be reported on CMR 604, 618, 633, & 642 for the March 2003 quarter?*

Answer 3: \$10,000

FINANCIAL REPORTING DIVISION, DALLAS, TX

225 E. John Carpenter Freeway
Suite 500

Irving, TX 75062-2326

FAX (972) 277-9596

VIKKI REYNOLDS, MANAGER (972) 277-9595

vikki.reynolds@ots.treas.gov

(972) 277-XXXX

(972) 277-XXXX

THRIFT FINANCIAL REPORT (TFR/CMR)

JIM HANSON	9620
james.hanson@ots.treas.gov	
KATHRYN JOHNSON	9611
kathryn.johnson@ots.treas.gov	
MIKE JOHNSON	9621
kenneth.johnson@ots.treas.gov	
KEVIN JONES	9612
kevin.jones@ots.treas.gov	
JIM MELTON	9613
jimmy.melton@ots.treas.gov	
RANDY SEGER	9614
randolph.seger@ots.treas.gov	
ANGELA THORPE-HARRIS	9615
angela.thorpe@ots.treas.gov	
KEN WALKER	9622
kenneth.walker@ots.treas.gov	
JO ANN WILLIAMS	9616
joann.williams@ots.treas.gov	

MONTHLY COST OF FUNDS (COF)

KATHRYN JOHNSON	9611
kathryn.johnson@ots.treas.gov	

BRANCH OFFICE SURVEY (BOS)

CHEYANN HOUTS	9617
cheyann.houts@ots.treas.gov	

ELECTRONIC FILING SYSTEM (EFS) HELP

CHEYANN HOUTS	9617
cheyann.houts@ots.treas.gov	
DORIS JACKSON	9618
doris.jackson@ots.treas.gov	

GENERAL QUESTIONS AND**SOFTWARE DISTRIBUTION**

DORIS JACKSON	9618
doris.jackson@ots.treas.gov	

The Financial Reporting Division uses voice mail extensively. If you reach the voice mail of the person you are calling, please leave a brief message, speaking slowly enough to be clearly understood. Include your name, phone number, region, and docket number. Your call will be returned as quickly as possible.

TFR REPORTING QUESTIONS AND ANSWERS

We post TFR Questions and Answers on the OTS web site at <http://www.ots.treas.gov/tfrqanda.html>. If you have a question that you would like answered, you may submit it to tfr.instructions@ots.treas.gov.

COPIES OF TFR MANUAL

OTS provides one free copy of the TFR Instruction Manual and Financial Reporting Bulletins to report preparers of all OTS-regulated institutions. Additional copies of the manual and bulletins may be ordered from our distribution service at (301) 645-6264 at a cost for a one-year subscription of \$35. You can also access the manual and bulletins on the OTS web site at <http://www.ots.treas.gov/tfrpage.html>.

NONMORTGAGE LOANS

Adjust the balances in this section for:

1. Specific valuation allowances.
2. Deferred loan fees net of direct costs.
3. Discounts and premiums on the purchase of mortgage loans and contracts.
4. Applications of lower-of-cost-or-market accounting treatment to loans held for sale but not in a trading account.
5. Any undisbursed balances of closed-end loans, loans-in-process. Report the undisbursed amount on CC125.
6. The undisbursed portion of lines of credit. Report the undisbursed amount on CC410-420.
7. Unearned interest, such as add-on interest of loans issued at a discount.
8. Deposits accumulated for the payment of loans, hypothecated deposits.
9. Unamortized deferred gains and losses on hedging transactions closed prior to adoption of Statement No. 133.
10. Accumulated gain or loss (change in fair value) on nonmortgage loans attributable to the designated risk being hedged on a qualifying fair-value hedge under FASB Statement No. 133.

Do not adjust the balances in this section for: Allowance for loan and lease losses. Report these on SC357.

Include:

1. Unsecured loans.
2. Loans secured with tangible property other than real estate, except as noted below.

Do not include:

1. Investments in securities collateralized by nonmortgage loans. Report these securities on SC182, Securities Backed by Nonmortgage Loans. **Note:** Although you report pass-through securities backed by nonmortgage loans **with** nonmortgage loans in Schedule CMR, in Schedule SC you report securities backed by nonmortgage loans with Other Investment Securities on SC185.
2. Loan commitments that you have not yet taken down, even if you have received fees. Prior to disbursement of the loan, report refundable fees on SC783, Escrows, and nonrefundable fees on SC796, Other Liabilities and Deferred Income, as Code04.

SC30: Total

The EFS software will compute this line as the sum of SC300 through SC348 less SC357.

Commercial Loans:

SC32: Total

The EFS software will compute this line as the sum of SC300 through SC306.

SC300: Secured, Other than Mortgage

Report all loans to corporations, partnerships, and individuals for business purposes and secured by tangible property and real estate where the loan cannot be classified as a mortgage or where you chose to classify it as a nonmortgage commercial loan.

Include:

1. Loans secured by commercial properties that do not qualify as mortgage loans.
2. Secured loans for farming operations.
3. Floor-planning, inventory and wholesale, loans to dealers for automobiles or mobile homes.
4. Retail auto loans if the autos are for commercial use.
5. Nonmortgage loans insured or guaranteed by state or municipal government authority or an agency of the federal government, including Farmers Home Administration, Agency for International Development, and the insured portion of unsecuritized Small Business Administration (SBA) loans.
6. Secured nonmortgage loans to unconsolidated subordinate organizations.
7. Outstanding balances of secured commercial lines of credit.
8. Loans secured by residential property to finance small businesses if the loans are not reported as mortgages.

Do not include:

1. Commercial financing leases. Report on SC306.
2. The uninsured portion of SBA loans. Report on SC303.

SC303: Unsecured

Report all unsecured loans to corporations, partnerships, and individuals for business purposes.

Include:

1. Unsecured construction loans to builders.
2. Unsecured loans for the improvement of multifamily and other commercial property.
3. The outstanding balance of unsecured commercial lines of credit, overdrafts on commercial demand deposits, and business credit cards.
4. Unsecured loans for farming operations.
5. All other unsecured loans made for commercial purposes.

Do not include:

1. Unsecured loans to unconsolidated subordinate organizations. Report on SC50, Investment in Unconsolidated Subordinate Organizations.

SC730: Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

Include:

1. Funds you received from securities sold under agreements to repurchase that do not meet the criteria for a sale under FASB Statement No. 140, including retail repurchase, dollar-reverse-repurchase, and dollar-roll agreements.
2. Amounts due a FHLBank in the form of securities sold under agreements to repurchase.
3. Federal Funds purchased.

Include in the gain or loss on the sale funds received from transactions accounted for as a sale, such as, yield maintenance, dollar-reverse-repurchase agreements, and certain dollar-roll transactions. **Note** that the repurchase transaction and subsequent investment of these borrowed funds are independent transactions. Therefore, you should not offset any income generated by this subsequent investment by the interest expense incurred in the reverse repurchase transaction. Report interest income on SO110, Interest Income on Deposits and Investment Securities, and interest expense on SO260, Interest Expense: Other Borrowed Money.

SC735: Subordinated Debentures (Including Mandatory Convertible Securities)

Report subordinated debentures and mandatory convertible securities you or your consolidated subsidiaries issued net of premiums and discounts. Report issuance costs related to subordinated debentures and mandatory convertible securities on SC690, Other Assets.

Mortgage-Collateralized Securities Issued:

Report only those mortgage-collateralized securities that are not recorded as sales in accordance with GAAP as principally prescribed by FASB Statement No. 77, *Reporting by Transferors for Transfers of Receivables with Recourse*, and FASB Technical Bulletin 85-2, *Accounting for Collateralized Mortgage Obligations (CMOs)*.

SC740: CMOs (including REMICs)

Report all collateralized mortgage obligations (CMOs) issued by you and your consolidated subsidiaries adjusted for issuance costs, discounts, and premiums.

SC745: Other

Report all mortgage collateralized securities, other than CMOs, that you or your consolidated subsidiaries issued that are not recorded as sales in accordance with GAAP.

SC760: Other Borrowings

Report all other borrowings not included on SC720 through SC745.

Include:

1. Redeemable preferred stock issued by consolidated subsidiaries to third parties.
2. Mortgages and other encumbrances on your office premises or real estate owned for which you are liable.
3. Obligations of an employee stock ownership plan (ESOP) to a lender other than you or your holding company, when such reporting is required under GAAP, including AICPA SOP No. 93-6, *Employers' Accounting for Employee Stock Ownership Plans*.

-
4. The underlying mortgage in a wrap-around loan unless the holder of the underlying mortgage has accepted a subordinated position, in which case you deduct the underlying loan against the related loan.
 5. Senior liens on foreclosed real estate.
 6. Overdrafts in your transaction accounts in other depository institutions, where there is no right of set-off against other accounts in the same financial institution. If the overdraft is in a zero-balance account or an account that is not routinely maintained with sufficient balances to cover checks drawn in the normal course of business, you should include in deposits the funds received or held in connection with checks drawn on the other depository institutions.
 7. Commercial paper that you have issued.
 8. Liabilities for capital leases related to assets that you've reported on SC55.
 9. Eurodollar issues.
 10. The liability from a sale of loans with recourse accounted for as a financing. Refer to FASB Statement No. 77, *Reporting by Transferors for Transfers of Receivables with Recourse*.
 11. REIT preferred stock issued by a consolidated subsidiary to a third party, where you elect to report the instrument as a liability rather than as a minority interest on line SC799.

Do not include:

1. Accrued interest due and payable. Report on SC766, Other Accrued Interest Payable.
2. Redeemable preferred stock you have issued. Report on SC799, Redeemable Preferred Stock and Minority Interest.

You must charge the interest and dividends on all borrowings and yield adjustments reported on this line to expense on SO260, Other Borrowed Money. You must not net the interest expense against the interest income on the related asset.

OTHER LIABILITIES

SC75: Total

The EFS software will compute this line as the sum of SC763 through SC796.

SC763: Accrued Interest Payable - Deposits

Report accrued interest that has not been credited to deposit accounts.

Do not include:

Interest withheld from deposits for remittance to taxing authorities. Report on SC783, Escrows.

SC766: Accrued Interest Payable - Other

Include:

Accrued interest and dividends due on borrowings that you have reported on SC720 through SC760.

SC776: Accrued Taxes

Include:

1. Current portion of federal, state, and local income taxes.
2. Real estate taxes.
3. Employer's share of payroll taxes.
4. Other miscellaneous taxes.

Do not include:

1. Taxes withheld from employees' salaries. Report on SC783, Escrows.
2. Tax accrual accounts with debit balances. Report as accounts receivable on SC690, Other Assets, as Code 03.
3. Interest withheld from deposits for remittance to taxing authorities. Report on SC783, Escrows.

SC780: Accounts Payable

Report the amount accrued for services, supplies, materials, and other expenses.

Reclassify accounts payable with material debit balances to accounts receivable. Report on SC690, Other Assets, as Code 14.

SC790: Deferred Income Taxes

Report net deferred income taxes with a credit balance. Report deferred income taxes from the same jurisdiction net. Report net debit balances as deferred tax assets on SC690, Other Assets, Code 04.

SC796: Other Liabilities and Deferred Income

Report the total of liabilities not reported elsewhere on Schedule SC. You can find a list of the types of liabilities to be included in the memo items detailing other liabilities below.

Memo: Detail of Other Liabilities

Report the three largest items constituting the amount reported on SC796. You should select codes best describing these items from the list below and report them on SC791, 794, and 797; report the

corresponding amounts on SC792, 795, and 798. You must complete this detail if you report an amount on SC796. You should combine similar accounts, for example, all nonrefundable loan fees received prior to loan disbursement should be combined and reported as 04. However, you should **not** combine **unlike** accounts in reporting code 99. You may have more than one code 99 if you cannot find codes describing the items you report.

SC791, 794 and 797: Codes

- 01 Dividends payable on stock.
- 02 Financial options fees received.
- 04 Nonrefundable loan fees received prior to loan disbursement.
- 05 Deferred gains from sale/leaseback where the resulting lease is an operating lease.
- 06 Balances in U.S. Treasury tax and loan accounts administered under the note option that provide for the conversion of the previous day's balance to an interest-bearing demand note.
- 07 Deferred gains from the sale of real estate recorded under the percentage-of-completion or deposit methods pursuant to FASB Statement No. 66, *Accounting for Sales of Real Estate*.
- 08 Negative investments in entities accounted for under the equity method.
- 09 Fees received for standby contracts and other option arrangements where the savings association is obligated to purchase or sell securities at the option of the other party.
- 10 Amounts due brokers for unsettled transactions.
- 11 The liability recorded for pensions and other postretirement benefits.
- 12 Negative goodwill.
- 13 Amounts payable under interest-rate-swap agreements.
- 14 Unapplied loan payments received for which the customer's account will be credited as of the date of receipt.
- 15 Liability when the benefits of a loan servicing contract are not expected to adequately compensate the servicer.
- 16 Recourse loan liability.
- 17 Non-interest-bearing payables due to holding companies and affiliates.
- 18 Litigation reserves.
- 19 Nonrefundable stock subscriptions. Note that refundable stock subscriptions are reported as escrows on SC783.
- 20 Fair value of all derivative instruments reportable as liabilities under FASB Statement No. 133.
- 99 Other. **Use this code only for those items not identified above.**

Do not include:

- 1. Escrows. Report on SC783, Escrows.
- 2. Deferred credits classified as contra-assets, such as loans in process and deferred loan fees.
- 3. Yield adjustments on deposits. Report on SC715, Unamortized Yield Adjustments on Deposits.
- 4. Yield adjustments, commitment fees, and issue costs on FHLBank advances and other borrowings. Report as part of the borrowings' balance.
- 5. Accrued interest on escrow accounts. Report on SC783, Escrows.
- 6. U.S. Treasury tax and loan accounts administered under the remittance option requiring the remittance of the previous day's balance to a federal reserve bank. Report on SC710, Deposits.
- 7. Unapplied loan payments received for which the customer's account will be credited as of the date of transfer rather than the date of receipt from the customer. Report on SC710, Deposits.

SC792, 795, and 798: Amount

Report the dollar amounts corresponding to the codes reported on SC791, 794, and 797.

SC70: TOTAL LIABILITIES

The EFS software will compute this line as the sum of SC710, SC783, SC715, SC72, and SC75.

SC799: REDEEMABLE PREFERRED STOCK AND MINORITY INTEREST

Report items that have characteristics of both liabilities and equity capital and that in accordance with GAAP should not be classified as equity capital.

Include:

1. Redeemable preferred stock you issued.
2. Common and perpetual preferred stock issued by consolidated subsidiaries to third parties constituting a minority interest.
3. REIT preferred stock issued by a consolidated subsidiary to a third party, where you elect to report the instrument as a minority interest rather than as a liability on line SC760.

Do not include:

1. Redeemable preferred stock issued by consolidated subsidiaries to third parties. Report on SC760, Other Borrowings.
2. Preferred stock, both redeemable and perpetual, that consolidated subsidiaries issued to you or your other subordinate organizations. When you are making your consolidating entries, you must eliminate this preferred stock of the consolidated subsidiary.
3. Deferred issuance costs. Report on SC690, Other Assets.

For common or preferred stock issued by a consolidated subsidiary that is accounted for as a minority interest and that is included on this line, report the allocation of net income (for the common stock) or declaration of dividends (for the preferred stock) on SO491, Other Noninterest Income, using Code 08. For redeemable preferred stock that you issued, report dividends on SI620, Dividends Declared: Preferred Stock.

Include:

1. Deficiency payments, penalties.
2. Immaterial adjustments to correct prior period accruals for which the amendment cycle is no longer open.
3. Amortization of prepaid or deferred state, local and other income taxes.
4. Reductions for refunds from prior periods not previously reported.
5. Reductions for NOL carrybacks.
6. Gross receipts taxes.

Do not include:

1. Interest income and expense on tax accounts. Report these on SO491, Other Noninterest Income, or SO580, Other Noninterest Expense.
2. Any local taxes other than those based on income. Report real estate taxes on SO530, Office Occupancy and Equipment Expense; report franchise and other local taxes on SO580, Other Noninterest Expense.

SO81: INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AND EFFECTS OF ACCOUNTING CHANGES

The EFS software will compute this line as the sum of SO60 less SO71.

SO811: EXTRAORDINARY ITEMS, NET OF TAX EFFECT, AND CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

Extraordinary Items:

Extraordinary items are material events and transactions that are unusual and infrequent. **Both of these conditions must exist for an event or transaction to be an extraordinary item.**

- **Unusual** – To be unusual, an event or transaction must be highly abnormal or clearly unrelated to the ordinary and typical activities of the association. An event or transaction beyond the control of management is not automatically considered unusual.
- **Infrequent** – To be infrequent, an event or transaction should not reasonably be expected to recur in the foreseeable future. Although the past occurrence of an event or transaction provides a basis for estimating the likelihood of its future occurrence, the absence of a past occurrence does not automatically imply that an event or transaction is infrequent.

Rarely do events or transactions qualify for treatment as extraordinary items. Among these are losses that result directly from a major disaster such as an earthquake (except in areas where earthquakes are expected to recur in the foreseeable future), a government expropriation, or a prohibition under a newly enacted law or regulation.

Do not include:

1. Adjustments to valuation allowances. Report these on SO32, Net Provision for Losses on Interest-Bearing Assets, or SO570, Net Provision for Losses on Noninterest-Bearing Assets, even if the actual loss occurred in a prior period.
2. Audit adjustments for corrections of accruals. For information on correcting prior period errors, see Item 5 in the General Instructions.
3. Adjustments for periods where the cycle is open for amendments to the TFR. Refer to the general instructions for the submission of amended reports.
4. Adjustments related to prior interim periods of your current fiscal year. Report these adjustments currently in the appropriate current income or expense data field.
5. Net income or loss allocable to minority shareholders. Report in SO491, Other Noninterest Income.
6. Gains and losses on extinguishments of debt that do not meet the criteria in APB Opinion No. 30 for classification as an extraordinary item.

Cumulative Effect of Changes in Accounting Principles:

The cumulative effect of changes in accounting principles is the amount resulting from changing from one **accepted** accounting principle to another **accepted** accounting principle. It does not include the cumulative effect of changing from an unaccepted accounting principle to a generally accepted accounting principle. This type of change is reported currently in the appropriate income or expense data field.

Report a loss as a negative amount.

SO91: NET INCOME (LOSS)

The EFS software will compute this line as the sum of SO81 plus SO811.

SCHEDULE PD – CONSOLIDATED PAST DUE AND NONACCRUAL

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

Report all loans and leases that you own that are contractually past due or are in nonaccrual status, regardless of whether such loans are secured, unsecured, or guaranteed by the Government or by others, with the exception of those noted below. Report the entire loan, not simply the amount of the delinquent payment. You should report the balance of the recorded investment after deducting **specific** valuation allowances. **Recorded investment** is the principal balance, adjusted for charge-offs and unamortized yield adjustments.

Do not include:

1. Delinquent FHA, FmHA, or VA 1-4 dwelling unit, residential mortgages in foreclosure status that you purchased from a Ginnie Mae pool (rather than continuing to make monthly advances on them) and that you service for others provided the process of reimbursement by FHA, FmHA, or VA is proceeding normally.
2. Loans on assets covered by the FSLIC Resolution Fund, the RTC, or the FDIC on which payments from the borrower are contractually past due or in nonaccrual status.

PAST DUE

1. Do not take grace periods into account when determining past due status.
2. Report loans and lease financing receivables as past due when **either interest or principal** is unpaid in the following circumstances:
 - a) **Amortizing closed-end** mortgage loans, closed-end nonmortgage installment loans, and any other loans and lease financing receivables with:
 - i) **Payments scheduled monthly** when the borrower's interest and/or principal amount is in arrears two or more months. For example, in Schedule PD for March you would report a mortgage in accrual status for which the payment is due on the first of March, only if both the February and March payments are in arrears.

- ii) **Payments scheduled other than monthly** when one scheduled payment of interest and/or principal is due and unpaid for 30 calendar days or more.
- b) **Open-end loans** such as home equity loans, charge-card plans, check credit, and other revolving credit plans when the customer has not made the **minimum** payment for two or more billing cycles.
- c) **Single payment and demand notes** providing for the payment of interest at stated intervals (such as certain construction loans) after one interest payment is due and unpaid for 30 days or more.
- d) **Single payment notes** providing for the payment of interest at maturity if interest or principal remains unpaid for 30 days or more after maturity.
- e) **Unplanned overdrafts** if the account remains continuously overdrawn for 30 days or more.

You may use actual days as stated in the schedule headings in lieu of cycles when you calculate the past due period. The following example uses cycles to prepare Schedule PD:

<u>Payment Missed</u>	<u>Actual Days Overdue at Month-end</u>	<u>PD Category at End of Month</u>
Jan 1 (one)	30	Under 30 Days
Feb 1 (two)	58	30 - 89 Days
March 1 (three)	89	30 - 89 Days
April 1 (four)	119	90 Days or More

In the March TFR you would report this loan in the 30-to-89-day category. If this loan were still delinquent and held as a loan in June, you would report it in the over-90-day category.

Partial Payments for Amortizing Closed-end Loans:

If a borrower makes a partial payment, the loan is not past due until two entire payments have been missed.

For example if the payment due is \$100 and the borrower, due to a temporary condition, only pays \$25 a month, the loan will not be reported on Schedule PD until after the third cycle.

First partial payment	\$25
Past due amount	75

After 2 nd partial payment:	
Past due amount (2 x 75)	150
Past due period $150 \div 100$	1.5

At this point because the past due period is less than two cycles, this loan is not reported in Schedule PD.

After 3 rd partial payment	
Past due amount (3 x 75)	225
Past due period $225 \div 100$	2.25

At this point the loan is past due two complete payments (cycles) and the loan should be reported as 30-89 days past due.

Restructured loans:

You need not maintain a loan in nonaccrual status where you have formally restructured the loan so that you are reasonably assured of repayment and of performance according to the modified terms, provided the restructured loan is well secured and collection under the revised terms is probable. To determine probability of collection, consider the borrower's sustained historical repayment performance for a reasonable period, which may take into account performance prior to restructuring. A sustained period of repayment performance generally would equal a minimum of six months and would involve payments of cash or cash equivalents.

Do not include:

1. Loans on which interest is being accrued for record-keeping purposes but not for reporting purposes.
2. Accrued interest and advance payments of borrowers' taxes and insurance unless they have been capitalized to the loan balance.
3. Deductions for allowances for loan and lease losses (ALLL) or the assumed liability of wrap-around loans applicable to such loans.

NONACCRUAL

Report loans on which you no longer accrue interest.

Interest does not accrue on:

1. An asset that you maintain on a cash basis due to the borrower's deteriorating financial position.
2. An asset for which you do not expect to receive full payment of interest or principal.
3. An asset with principal or interest in default unless the value of the property securing the loan exceeds the receivable balance, including principal, interest, and escrows, and collection is probable.

MORTGAGE LOANS:

PD115, 215, and 315: Construction

Report loans included on SC230 through SC240, Construction Loans.

Permanent, Secured by:**PD120, 220, and 320: 1-4 Dwelling Units**

Report loans included on SC250 and SC253, Permanent Mortgages on: 1-4 Dwelling Units.

PD125, 225 and 325: 5 or More Dwelling Units

Report loans included on SC256, Permanent Mortgages on: 5 or More Dwelling Units.

PD135, 235, and 335: Nonresidential Property (Except Land)

Report loans included on SC260, Permanent Mortgages on: Nonresidential Property (Except Land).

PD138, 238, and 338: Land

Report loans included on SC265, Permanent Mortgages on: Land.

NONMORTGAGE LOANS AND LEASES:**PD140, 240 and 340: Commercial**

Report loans and leases included on SC300 through SC306, Nonmortgage Loans: Commercial Loans.

Consumer Loans:**Closed-End:****PD161, 261, and 361: Loans on Deposits**

Report loans included on SC310, Consumer Loans: Loans on Deposits.

PD163, 263, and 363: Home Improvement Loans

Report loans included on SC316, Consumer Loans: Home Improvement Loans.

PD165, 265, and 365: Education Loans

Report loans included on SC320, Consumer Loans: Education Loans.

PD167, 267, and 367: Auto Loans

Report loans included on SC323, Consumer Loans: Auto Loans.

PD169, 269, and 369: Mobile Home Loans

Report loans included on SC326, Consumer Loans: Mobile Home Loans.

PD170, 270, and 370: Other, Including Leases

Report loans included on SC330, Consumer Loans: Other, Including Leases.

Open-End:**PD175, 275, and 375: Revolving Loans Secured by 1-4 Dwelling Units**

Report loans included on SC340, Consumer Loans: Revolving Loans Secured by 1-4 Dwelling Units.

PD178, 278, 378: Credit Cards and Related Plans

Report loans included on SC345, Consumer Loans: Credit Cards and Related Plans.

PD10, 20 and 30: Total

The EFS software automatically computes these totals as the sum of PD115 through PD178 on PD10, the sum of PD215 through PD278 on PD20, and the sum of PD315 through PD378 on PD30.

Example: If you sell \$1000 in loans, and agree to absorb the first 10% of losses, you report \$1000 on this line, and \$100 on line CC468.

1. The full amount of assets enhanced by your residual interests:

Example: If you create and securitize a \$1000 pool of loans and you sell \$900 and retain a "first loss" residual interest of \$100, you report \$1,000 on this line and \$100 on line CC468.

2. The full amount of assets enhanced by your subordinated securities:

Example: If you buy a subordinated security in a senior/subordinated structure, the total structure is \$1,000, and your subordinated security is \$200, you report \$1,000 on this line and \$200 on line CC465.

3. The full amount of assets enhanced by your letters of credit, or other direct credit substitutes, both collateralized and uncollateralized, to cover credit obligations of another party.

Example: If you provide a simple line of credit of \$100 to another party, you report \$100 on this line, and \$100 on line CC465.

Example: If you provide a line of credit of \$100 to another party that is available to enhance the other party's "first loss" or otherwise subordinate obligation on a \$1,000 loan pool, you report \$1000 on this line and \$100 on line CC465.

Do not Include:

Positions subordinate to your own.

Example: If you have retained a \$100 mezzanine "second loss" security in a \$1000 pool of assets that you have securitized or purchased and you have sold the \$100 first loss security (subordinate to your security) and the \$800 security (senior to your security), you report \$900 on this line and \$100 on line CC468.

CC465: AMOUNT OF DIRECT CREDIT SUBSTITUTES ON ASSETS IN CC455

Include the amount of direct credit substitutes, including purchased credit-enhancing interest-only strips, purchased subordinated securities, and other similar exposures that you have purchased from another party.

Report the face amount of the exposure, residual, or security that you have purchased from another party, or the face amount of a letter of credit that you supply to another party. Refer to the examples in item 4, CC455 above.

CC468: AMOUNT OF RECOURSE OBLIGATIONS ON ASSETS IN CC455

Include the amount of recourse obligations, residuals, credit-enhancing interest-only strips, and subordinated securities that arise from your own securitization activities.

Report the face amount of the exposure, residual, or security that arises from your own securitization activities. Include letters of credit issued on behalf of affiliates or on behalf of any securitization trust that you have created. Refer to the examples under CC455 above.

CC480: OTHER CONTINGENT LIABILITIES

Report all contingent liabilities that you do not report elsewhere in this schedule or in Schedule SC.

CC490: CONTINGENT ASSETS

Report all contingent assets not reported elsewhere in this schedule or Schedule SC.

You report all residual interests somewhere on Schedule SC, typically on SC150, SC185, SC655, or SC690. The total of lines SI402 and SI404 should equal all residual interests, as defined above, that you have included on Schedule SC.

In addition, you should report the appropriate amounts in Schedule CC, on CC455 and CC465 or CC468, related to direct credit substitutes and recourse obligations. Also, as residual interests are subject to specialized regulatory capital treatment pursuant to 12 CFR Parts 567.6 and 567.12, you should report the appropriate amounts in Schedule CCR, on CCR133, CCR170, CCR375, and CCR605.

SI402: Residual Interests in the Form of Interest-only Strips

Report residual interests as defined above in the form of credit-enhancing interest-only strips.

Credit-enhancing interest-only strips are defined in 12 CFR Part 567.1 as any on-balance-sheet asset that, in form or in substance, represents the contractual right to receive some or all of the interest due on transferred assets, and that through subordination provisions or other credit enhancement techniques exposes the institution to credit risks that exceed its pro rata claim on the transferred assets.

Report both retained and purchased credit-enhancing interest-only strips. However, do not include interest-only strips issued by government-sponsored entities or other interest-only strips that do not function in a credit enhancing or otherwise subordinate capacity.

SI404: Other Residual Interests

Report any other residual interests and on-balance-sheet recourse assets that you have not reported on SI402. Include purchased subordinated interests, purchased subordinated securities, and any other type of residual or recourse position that you have purchased from others. Do not include interest-only strips issued by the government or government sponsored enterprises, unless they meet the definition of residual interest in 12 CFR 567.1.

QUALIFIED THRIFT LENDER TEST

SI581, SI582, and SI583: Actual Thrift Investment Percentage at Month-end

To be a Qualified Thrift Lender, QTL, you must either meet the Home Owners' Loan Act, HOLA, QTL test or the Internal Revenue Service tax code Domestic Building and Loan Association, DBLA, test.

If you use the HOLA QTL test, report the ATIP from the OTS QTL worksheets, OTS Form 1427, for the three months. If you use the IRS DBLA test, leave lines SI581, 582, and 583 blank.

EXTENSIONS OF CREDIT BY THE REPORTING ASSOCIATION (AND ITS CONTROLLED SUBSIDIARIES) TO ITS EXECUTIVE OFFICERS, PRINCIPAL SHAREHOLDERS, DIRECTORS, AND THEIR RELATED INTERESTS AS OF THE REPORT DATE

Federal Reserve Regulation O defines the terms used in this item.

An **extension of credit** is a making or renewal of any loan, a granting of a line of credit, or an extension of credit in any manner whatsoever. Extensions of credit include, among others, loans, overdrafts, cash items, standby letters of credit, and securities purchased under agreements to resell. For lines of credit, the amount reported as an extension of credit is normally the total amount of the line of credit extended to the insider, not just the current balance of the funds that have been advanced to the insider under the line of credit. See 12 CFR § 215.3, Regulation O.

An **executive officer** of the reporting savings association is person who participates or has authority to participate, other than as a director, in major policy-making functions of the reporting savings association, an executive officer of the savings association's holding company, and, unless excluded by the savings association's board of directors or bylaws, any other subsidiary of that holding company. See 12 CFR § 215.2(e), Regulation O.

A **director** of the reporting savings association is person who is a director of the savings association, whether or not receiving compensation, a director of the holding company of which the savings association is a subsidiary, and, unless excluded by the savings association's board of directors or bylaws, a director of any other subsidiary of that holding company. See 12 CFR § 215.2(d), Regulation O.

A **principal shareholder** of the reporting savings association is an individual or a company other than an insured depository institution that directly or indirectly, or acting through or in concert with one or more persons, owns controls, or has the power to vote more than 10% of any class of voting stock of the reporting savings association. Regulation O considers shares owned or controlled by a member of an individual's immediate family to be held by the individual. A principal shareholder includes a principal shareholder of a holding company of which the reporting savings association is a subsidiary and a principal shareholder of any other subsidiary of that holding company. See 12 CFR § 215.11(a)(1), Regulation O.

A **related interest** is either:

1. A company, other than an insured depository institution or a foreign bank that is controlled by an executive officer, director, or principal shareholder.
2. A political or campaign committee that is controlled by or the funds or services of which will benefit an executive officer, director, or principal shareholder. See 12 CFR § 215.11(a)(2), Regulation O.

SI590: Aggregate amount of all extensions of credit

Report the aggregate amount outstanding as of the report date of all extensions of credit by you and your controlled subsidiaries to all of your executive officers, principal shareholders, directors, and their related interests.

Include each extension of credit in the aggregate amount only one time, regardless of the number of borrowers.

SCHEDULE HC — THRIFT HOLDING COMPANY

Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.

GENERAL INSTRUCTIONS

Complete this schedule if you are owned by a thrift holding company, unless your holding company is a registered Bank Holding Company supervised by the Federal Reserve. If your holding company owns more than one thrift institution, we will advise you which institution should file this report. We will also advise you which holding company(ies) to report if you are owned by more than one. You should continue to report for each holding company designated until advised otherwise.

Report all data on a consolidated basis in accordance with GAAP for each designated holding company and its subsidiaries as of the end of the quarter. If the holding company has a quarter end other than a calendar quarter end, you may use data from the fiscal quarter ending within the reporting calendar quarter. For example, if the holding company's calendar year end is October, its **fiscal quarter ends** are January, April, July and October. You should use its fiscal quarter ending January 31 for the March 31 TFR, April 30 for June 30, July 31 for September 30, and October 31 for December 31.

Thrift holding companies that **both** (1) are insurance companies, **and** (2) do not prepare financial statements for external use in conformity with GAAP, are permitted to file this data from financial statements prepared in conformity with statutory accounting principles for insurance companies.

You must file Schedule HC no later than the 45th day following the end of the **calendar** quarter. We do **not** make public Schedule HC data for individual holding companies. We do make public aggregate data for Schedule HC.

HC100: HOLDING COMPANY NUMBER

Report the docket number of the holding company for which you are reporting. All holding company docket numbers begin with an H.

HC110: FISCAL YEAR END

Report the month of the fiscal year end of the holding company.

FILINGS UNDER THE SECURITIES EXCHANGE ACT OF 1934:

HC120: Is any company in this holding company's structure required to file periodic securities disclosure documents (for example, Forms 10-K and 10-Q) with the SEC, pursuant to the Securities Exchange Act of 1934?

Answer **yes** if the reporting holding company or any entity that directly or indirectly **owns** the reporting holding company, or that is directly or indirectly owned by the reporting holding company, files periodic securities disclosure documents with the SEC. Examples of disclosure documents are Forms 10-K and 10-Q. Answer **no** if you file securities disclosure documents with OTS, and your holding company does **not** file with the SEC.

HC200: TOTAL ASSETS

Report total consolidated assets.

HC300: TOTAL LIABILITIES

Report total consolidated liabilities; including redeemable preferred stock, trust-preferred securities, and minority interest in common stock.

Include on this line instruments that have both debt and equity characteristics, but that are not properly reported as equity under GAAP. Examples of such instruments include, but are not limited to, convertible debt securities, trust preferred securities, and redeemable preferred stock. In addition, include on this line minority interest in common stock of consolidated subsidiaries. Note that companies sometimes report the instruments described in this paragraph on their balance sheet in a "mezzanine" category, that is, between liabilities and equity. However, Schedule HC has no such category. Therefore, include all such instruments in line HC300.

HC400: TOTAL EQUITY

Report the total consolidated equity.

OTHER DATA:**HC510: INTANGIBLE ASSETS AND DEFERRED POLICY ACQUISITION COSTS**

Report the unamortized balance of intangible assets and deferred policy acquisition costs of the consolidated holding company.

Include on this line the following intangible assets (taken from examples provided in FASB Statement No. 141):

1. Goodwill.
2. Customer relationships and customer lists, including core deposit premiums.
3. Employment agreements.
4. Noncompetition agreements.
5. Lease agreements.
6. Computer software costs.
7. Loan servicing contracts, including mortgage servicing rights.

Deferred policy acquisition costs are capitalized costs that are incurred by insurance companies. They include variable acquisition costs such as commissions and underwriting and policy issuance expenses, related to both new and renewal premium revenue that are deferred, and then expensed as the related premium revenue is earned.

HC520: DEBT MATURING WITHIN THE NEXT 12 MONTHS (EXCLUDING DEPOSITS)

Report all borrowings of the consolidated holding company that would be classified as current liabilities if the holding company were to present a classified balance sheet. In other words, include all borrowings that, within the next 12 months, either (1) contractually mature, (2) are callable at the option of the lender, or (3) otherwise become due and payable.

Borrowings, as the term is used here and for line HC530 below, means short-term or long-term debt, negotiated with specified terms, usually including interest rates and repayment dates. *Borrowings* exclude deposits and transactional liabilities, such as accounts payable, income taxes payable, and accrued liabilities.

Callable, as the term is used here, refers to an option by the lender to require repayment of the borrowing before its contractual maturity.

A classified balance sheet is one that includes subtotals for current assets and current liabilities. Most thrift holding companies do not present a classified balance sheet. However, for purposes of HC520 and HC530, all borrowings should be classified as either current or noncurrent. The parameters of current liabilities are detailed in Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins*, Chapter 3A, as revised by SFAS No. 78, *Classification of Obligations That Are Callable by the Creditor*.

Example: A holding company's borrowings, on a consolidated basis, include a Federal Home Loan Bank (FHLB) advance where the contractual maturity date is beyond the next 12 months. However, beginning on a date within the next 12 months, the FHLB may exercise its option to require immediate repayment of the advance. You should include that advance in line HC520.

HC530: ALL OTHER DEBT (EXCLUDING DEPOSITS)

Report all borrowings of the consolidated holding company **except**:

1. Debt maturing within the next 12 months reported on HC520.
2. Deposit and escrow liabilities held by you or any other subsidiary depository institution.

HC540: NET CASH FLOW FROM OPERATIONS FOR THE QUARTER

Report the net increase or decrease in cash and cash equivalents from operating activities for the quarter as would appear in a consolidated statement of cash flows prepared in accordance with FASB No. 95. Do not include any change in cash and cash equivalents from investing and financing activities.

HC550: NET INCOME FOR THE QUARTER

Report the consolidated net income of the holding company for the quarter.

HC560: INTEREST EXPENSE FOR THE QUARTER (EXCLUDING INTEREST ON DEPOSITS)

Report the consolidated interest expense of the holding company for the quarter, excluding interest expense on deposit and escrow liabilities held by you or any other subsidiary depository institution.

For regulatory capital purposes on Schedule CCR, but not for reporting purposes on Schedule SC:

- Report AFS **debt** securities at amortized cost, not at fair value.
- Report AFS **equity** securities at the lower of cost or fair value, not at fair value.

Report on CCR102 the amount on SC860, Unrealized Gains (Losses) on Available-for-Sale Securities, adjusted for losses on certain equity securities, as follows:

- SC860, Unrealized Gains (Losses) on Available-for-Sale Securities
- Plus: As a positive number, any portion of the amount of SC860 that represents net unrealized **losses**, net of income taxes, on **equity** securities (but not debt securities).

2. Accumulated Gains and Losses Related to Qualifying Cash Flow Hedges

Include on CCR102 any accumulated gains and losses related to qualifying cash flow hedges that are included on SC890, Other Components of Equity Capital.

Report the result on CCR102 as follows:

- When the amount on this line represents **gains**, net of losses, report a **negative** number **reducing** capital.
- When the amount on this line represents **losses**, net of gains, report a **positive** number **increasing** capital.

Report the corresponding adjustment to assets on CCR137. See the instructions for CCR137 for additional information.

CCR220: Qualifying Intangible Assets

Report the sum of the following assets:

1. Core deposit intangible assets (CDIs) on your books or under firm contract as of March 4, 1994, up to 25 percent of Tier 1 (core) capital.

Account for CDIs in accordance with GAAP, incorporating credible and supportable assumptions. You must provide a valuation of CDIs based on a variety of assumptions regarding the following:

- Interest rates for alternative funding.
- Costs other than interest associated with the core deposit base.
- The decay rate for an acquired customer base.
- A discount rate.

Included CDIs should have their amortization rates adjusted at least annually to reflect decay rates, both past and projected, in the acquired customer base. We may restrict your inclusion of otherwise grandfathered CDIs in capital if we determine that you do not account for CDIs prudently.

For purpose of the 25 percent of Tier 1 (core) capital limitation above, compute this addition such that the amount of grandfathered CDIs included in Tier 1 (core) capital on CCR20 does not exceed the limitation. Also, in computing this addition, reduce the amount of grandfathered CDIs by any corresponding deferred tax liabilities that reduced the amount of grandfathered CDIs included on CCR115.

2. PCCRs included on SC660 and CCR115. Note, however, that PCCRs are subject to deduction on CCR133.

**CCR125: Minority Interest in Includable Consolidated Subsidiaries
Reported on SC799**

Report minority interest in common and noncumulative perpetual preferred stock of **includable, consolidated** subsidiaries that are reported on SC799, Minority Interest in Consolidated Subsidiaries. In addition include REIT preferred stock of an includable, consolidated subsidiary that is reported on **either SC760 or SC799**, to the extent the amount is eligible for inclusion in Tier 1 (core) capital. See the instructions for CCR105 for a definition of nonincludable subsidiaries. Minority interest in nonincludable subsidiaries is not grandfathered; do not include it on CCR125.

The EFS software will add this line to equity capital in calculating Tier 1 (core) capital.

**CCR130: Mutual Institutions' Nonwithdrawable Deposit Accounts
Reported on SC710**

If you are a mutual savings association, report nonwithdrawable and pledged deposit accounts meeting the definitions below. The EFS software will add this line to equity capital in calculating Tier 1 (core) capital.

Nonwithdrawable accounts are accounts that by the terms of the contract with the holder or by provisions of state law cannot be paid to the holder until all liabilities, including other classes of share liability, of the savings association have been fully liquidated and paid upon the winding up of the savings association. See 12 CFR § 561.31.

Pledged deposits are deposits where the pledge and escrow agreements provide the regulatory agencies with the authority to cancel the pledged accounts and turn over the account funds to the savings association.

Do not include:

1. Accounts that accumulate interest.
2. Accounts with fixed maturities.
3. Accounts that under certain conditions can be withdrawn at the option of the account holder.
4. Accounts deposited with subsidiary stock depository institutions.
5. Treasury shares you hold.
6. Deposits pledged against loans made to the depositor (share loans).

CCR20: Tier 1 (Core) Capital

The EFS software will compute this line as follows: CCR100 less CCR105, CCR115, CCR120, CCR133 plus CCR102, CCR220, CCR125, and CCR130.

For example, if you have a \$100 equity investment, net of charge-offs and specific valuation allowances, against which you established no general valuation allowance after July 1, 1994, you should enter the full asset amount, \$100, on CCR370. If you established a \$10 general valuation allowance against that same asset, you should deduct the \$10 general valuation allowance from the \$100 investment, resulting in deduction of \$90.

Do **not** include general valuation allowances established on other assets in the credit computation outlined above.

CCR375: Deduction for Low-Level Recourse and Residual Interests

If you elect the "direct deduction" approach for low-level recourse and residual interests, report on this line the amount of 1) low-level recourse and 2) residual interests reported on SI402 and SI404. However, you should reduce the amount of residual interests reported here by any amount reported on CCR133. In addition, you may reduce the amount of low-level recourse and residual interests reported here by the amount of any corresponding deferred tax liability.

Include:

1. The amount of recourse liability you retain when it is less than the capital requirement for credit-risk exposure and therefore not converted to an on-balance-sheet equivalent. For example, in the sale of most assets with one percent recourse, the amount of liability retained usually is less than the capital requirements, and therefore you would report one percent of the assets sold on CCR375 or CCR605. See the instructions for the 100 percent credit conversion factor in the Conversion of Off-balance-sheet Items to On-balance-sheet Equivalents section above.
2. The amount of on-balance-sheet financial instruments pursuant to FASB Statement No. 140 representing subordinated credit risk interests, including interests in spread accounts and asset pools. However, your low-level recourse requirement may exceed the amount of this instrument if you are subject to credit losses exceeding the amount of the instrument.

CCR39: TOTAL RISK-BASED CAPITAL

The EFS software will compute this line as the total of CCR30 plus CCR35 minus CCR370, CCR375 and CCR380.

RISK-WEIGHT CATEGORIES

General Instructions

To calculate the total risk-based capital standard you must classify your assets in one of four risk-weight categories described below. Do **not** risk weight the assets that you have deducted from Tier 1 (core) capital – for example, nonincludable subsidiaries, nonqualifying intangibles, and disallowed assets.

Consolidate the assets of includable, GAAP-consolidated subsidiaries in determining the appropriate risk-weight categories. However, exclude the assets of **nonincludable subsidiaries** and **nonincludable equity investments** when computing risk-weighted assets.

Tier 2 (supplementary) capital includes ALLL but does not include other general valuation allowances. Consequently, to calculate the amount to be risk weighted, you may deduct allocated general valuation allowances from assets other than loans and leases but you may **not** deduct **ALLL** from loans and leases. In other words, you should risk weight loans at their recorded investment less only their specific valuation allowances, and risk weight all other assets at their recorded investment less their specific valuation allowances and allocated general valuation allowances.

You should risk weight assets after you make regulatory capital adjustments to those assets. For example, if we required you to deduct gains or add back losses on AFS securities in Tier 1 (core) capital, you should risk weight those securities at historical cost, not at fair value. The same is true for adjustments for disallowed servicing assets, disallowed net deferred tax assets, and other adjustments to Tier 1 (core) capital. If you exclude assets, portions of assets, or adjustments to assets from Tier 1 (core) capital, you should exclude them from risk-weighted assets. Additionally, where you have included up to 45 percent of the pretax unrealized gains, net of unrealized losses, on AFS equity securities in Tier 2 capital (CCR302), you should include 100 percent of those unrealized gains in risk-weighted assets. In other words, you should risk weight the fair value, not the historical cost, of these AFS equity securities.

In determining the appropriate risk-weight category for **secured loans**, you must look at the type of collateral. In determining the appropriate risk-weight category for investments in **mutual funds**, you must look to the characteristics of the assets in the fund. Where the portfolio of a mutual fund consists of various assets that require different treatment under the capital requirement, you have two alternatives:

1. You may deal with the entire ownership interest in the mutual fund based on the asset with the highest capital requirement in the portfolio, or exclude the mutual fund from assets and thus deduct it from calculations of total capital, as appropriate.
2. You may assign different risk-weight categories to the mutual fund on a pro-rata basis, according to the investment limits for different categories in the fund's prospectus.

Regardless of the risk-weighting method used, the total risk weight of a mutual fund must be no less than 20 percent.

Multiply the sum of each risk-weight category by the appropriate risk-weight percentage for that category. For instance, you would multiply the sum of the zero percent risk-weight category by zero percent. After adding each risk-weight category and multiplying by its appropriate risk weight, add the product of each risk-weight category. This results in the on-balance-sheet portion of the total risk-based capital standard.

Include **off-balance-sheet items** in the total risk-based capital standard after converting them into on-balance-sheet equivalents. Convert off-balance-sheet items by taking the dollar amount of the off-balance-sheet item or the grossed up amount of off-balance-sheet recourse obligations under 12 CFR § 567.1, as appropriate. Multiply that amount by the appropriate credit conversion factor from the table that follows the discussion of risk-weight categories. Additionally, you should risk weight interest-rate and exchange-rate contracts by calculating a credit equivalent amount. See explanation following the discussion of off-balance-sheet items.

Report in the appropriate category all on-balance-sheet assets together with all on-balance-sheet equivalents (off-balance-sheet items after converting them according to the discussion above). From the sum of on-balance-sheet and off-balance-sheet risk-weighted assets, deduct ALLL that exceeds the amount you may include as capital on CCR350.

Note: Report all loans and investments that are more than **90 days past due** on CCR505, 100 percent Risk weight. Report all of these loans on CCR505 regardless of the type of investment or collateral, except for FDIC covered assets. Report FDIC covered assets on CCR410, 0% Risk weight: FDIC Covered Assets.

0% Risk weight

CCR400: Cash

Report all cash-on-hand, including the amount of domestic and foreign currency owned and held or in transit in all your offices. Convert any foreign currency into U.S. dollar equivalents as of the date of the report.

Do not include:

1. Cash deposited in another financial institution, whether interest-bearing or non-interest-bearing. Report on CCR445.
2. Cash equivalents such as travelers' checks. Report on CCR445.

CCR405: Securities Backed by Full Faith and Credit of U.S. Government

Report the amount of securities issued by and other direct claims on the following:

1. The U.S. Government or its agencies to the extent such securities or claims are **unconditionally** backed by the full faith and credit of the U.S. Government.
2. The central government of an Organization of Economic Cooperation and Development (OECD) country.

Include:

1. Ginnie Mae securities.
2. U.S. Treasury securities.
3. SBA pools or certificates, or portions thereof, that have an unconditional guarantee by the full faith and credit of the U.S. Government.

Do not include:

1. Notes and obligations of the FDIC. Report on CCR408.
2. Assets collateralized by U.S. Government securities. Report on CCR450, 20% Risk weight: Other.
3. Mortgage-backed securities (MBS) where you have recourse for the underlying loans. The capital requirement on such obligations should follow the standard treatment of recourse obligations.

CCR408: Notes and Obligations of the FDIC

Report notes and obligations of the FDIC that have the unconditional backing by the full faith and credit of the U.S. Government, except for those on CCR410.

CCR410: FDIC Covered Assets

Report the portion of assets **fully** covered against capital loss and/or yield maintenance agreements by the FDIC. Place that portion of assets without FDIC coverage (for example, those included in a deductible) in a risk-weight category according to the characteristics of the asset. If you cannot assign a deductible under a coverage agreement to a specific type of asset, then you should place the deductible in the 100 percent risk-weight category.

Include investments in subsidiaries and equity investments with full FDIC coverage, regardless of the percentage of ownership or business activity of the entity in which you have invested.

CCR415: Other

Report all zero percent risk-weight assets not included above as defined in 12 CFR § 567.6(a)(1)(i).

Include:

1. Deposit reserves at, claims on, and balances due from Federal Reserve Banks, excluding interest rate contracts. Report interest rate contracts on CCR450, 20% Risk weight: Other.
2. The book value of paid-in Federal Reserve Bank stock.
3. That portion of assets not included elsewhere in the zero percent risk-weight category directly and unconditionally guaranteed by the U.S. Government or its agencies, or the central government of an OECD country.

CCR420: Total

The EFS software will compute this line as the sum of CCR400 through CCR415.

CCR40: 0% Risk-weight Total

The EFS software will automatically compute this line as zero percent times CCR455, the risk-weighted product of all zero percent risk-weighted assets.

20% Risk weight**CCR430: High-quality MBS**

Report mortgage-related securities and other asset-backed securities that meet the criteria for 20% risk weight. **Note** that if you have a **subordinate** class of an otherwise 20% risk weight, high-quality MBS, you must gross up and risk weight your security plus the balance of all classes senior to it. However, if you are able to utilize the ratings based approach (12 CFR 567.6), it is not necessary to gross up the more senior positions. See also CC455, CC465, and CC468.

Include:

1. Fannie Mae and Freddie Mac mortgage-related securities.

2. Asset-backed securities with a AAA or AA rating that meet the criteria of the ratings based approach - 12 CFR § 567.6.

Do not include:

1. Stripped MBS. Report IO and PO strips that are not credit enhancing of otherwise high quality MBS on CCR505 100% risk weight.
2. Ginnie Mae mortgage pool securities. Report on CCR405.
3. MBSs where you have recourse for the underlying loans. The capital requirement on such obligations should follow the treatment of recourse obligations.

CCR435: Claims on FHLBs

Report all investments in, claims on, and balances due from Federal Home Loan Banks.

Include:

1. Book value of Federal Home Loan Bank stock.
2. Demand, savings, and time deposits with a FHLBank.
3. Securities, bonds, and notes issued by the Federal Home Loan Bank System
4. The credit equivalent amount of interest rate contracts, interest-rate swaps and caps, where the counterparty is a Federal Home Loan Bank.

CCR440: General Obligations of State and Local Governments

Report the amount of securities and other general obligations issued by state and local governments.

CCR445: Claims on Domestic Depository Institutions

Include the following obligations of domestic depository institutions:

1. Demand deposits and other transaction accounts.
2. Savings deposits.
3. Time certificates.
4. Travelers' checks and other cash equivalents.
5. Cash items in the process of collection.
6. Federal funds sold.
7. Loans and overdrafts.
8. Debt securities.
9. The credit equivalent amount of interest and exchange rate contracts (interest-rate swaps and caps) where the counterparty is a domestic depository institution.

Do not include:

1. Investments in other depository institutions where those institutions may count the investments in their regulatory capital, such as capital stock, qualifying subordinated debt, etc. Report on CCR370, Assets Required to be Deducted.
2. Interest rate contracts with a FHLBank or a Federal Reserve Bank. Report on CCR435 and CCR450, respectively.

CCR450: Other

Report all twenty percent risk-weight assets, not included above, as defined in 12 CFR § 567.6(a)(1)(ii).

Include:

1. Assets conditionally guaranteed by the U.S. Government, such as VA and FHA insured mortgage loans, the guaranteed portion of SBA, FhMA, and AID loans, and FICO and REFCO bonds, etc.
2. Loans and other assets fully collateralized by deposits..
3. The credit equivalent amount of interest rate contracts (interest-rate swaps and caps) where the counterparty is a Federal Reserve Bank.
4. Assets collateralized by U.S. Government securities other than mortgage related securities on CCR430.
5. Securities issued by, or other direct claims on, U. S. Government-sponsored agencies, including notes issued by Fannie Mae and Freddie Mac. Do not include equity securities or MBSs.

CCR455: Total

The EFS software will compute this line as the sum of CCR430 through CCR450.

CCR45: 20% Risk-weight Total

The EFS software will compute this line as twenty percent times CCR455, the risk-weighted product of all 20 percent risk-weighted assets.

50% Risk weight**CCR460: Qualifying Single-family Residential Mortgage Loans**

Report the carrying value, outstanding balance less all specific valuation allowances, of all qualifying single-family residential mortgage loans secured by a first lien when you have no other extensions of credit secured by a second lien on the same property to the same consumer, if such loans meet all of the following criteria:

1. You have prudently underwritten the loan.
2. The loan is performing and not more than 90 days past due.
3. One of the following is true:
 - a. The loan-to-value ratio (LTV) does not exceed 80 percent at origination.
 - b. The extension of credit is insured to at least an 80 percent LTV by private mortgage insurance provided by an insurer approved by the Freddie Mac or Fannie Mae.
 - c. The current loan-to-value ratio is less than 80 percent, calculated using value at origination, because the original loan has been paid down.

Also, report the combined carrying value of all mortgage and consumer loans secured by liens on the **same** one- to four-family residential property, with no intervening liens. For example, you hold extensions of credit secured by first lien and second lien positions. Include in 50 percent risk weighting, if the loan meets all the following criteria:

1. You have prudently underwritten each loan.

2. Each loan is performing and not more than 90 days past due.
3. One of the following is true:
 - a. The combined loan-to-value ratio (CLTV) does not exceed 80 percent at origination.
 - b. The combined extension of credit is insured to at least an 80 percent LTV ratio by private mortgage insurance provided by an insurer approved by Freddie Mac or Fannie Mae.
 - c. The current combined LTV ratio is less than 80 percent, calculated using value at origination, because the borrower has paid down the combined loans.

When you hold the first lien and junior liens on a 1-to-4-family residential property and no other party holds an intervening lien, view the loans as a **single** extension of credit secured by a first lien on the underlying property. Use this treatment to determine the LTV ratio, as well as for risk weighting. Assign the combined loan amount to either the 50 percent or 100 percent risk category, depending on whether the credit satisfies the criteria for 50 percent risk weighting. In determining the LTV ratio, you must combine all loans secured by the same property regardless of whether you classify the loan as a mortgage or consumer loan in Schedule SC. You need not include loans classified in Schedule SC as commercial loans made to businesses and secured by residential property when you calculate the CLTV ratio for that property. You should risk weight such commercial loans at 100 percent.

If there is an intervening lien, do not combine the loans because another entity holds the second lien (the intervening lien). For example, you hold a first mortgage and third lien as a home equity line. In this case, you risk weight the carrying value of the loan secured by the first lien at 50 percent if the LTV is 80 percent or less and it otherwise meets the 50 percent risk-weight criteria. You risk weight the carrying value of the loan secured by the third lien at 100 percent, regardless of the CLTV.

In addition, include the following types of loans in the definition of single-family mortgage loans. These loans must meet the criteria above to be risk weighted at 50 percent:

1. Loans on interests in cooperative buildings.
2. Loans to individuals to fund the construction of their own home that meet the definition of a qualifying residential construction loan in 12 CFR § 567.1. You may include any accrued interest receivable in the loan balance.
3. Mortgage loans on mixed-use properties that are primarily single-family residential properties.

Do not include:

1. The combined carrying value of mortgage and consumer loans secured by first or second liens on the same property when the CLTV ratio exceeds 80 percent. Report the combined carrying value of these loans on CCR505, 100% Risk weight: All Other Assets.
2. The combined carrying value of mortgage and consumer loans secured by first and second liens on the same property if any of the extensions of credit are nonperforming (nonaccrual) or more than 90 days past due. Report on CCR505, 100% Risk weight: All Other Assets.
3. A loan to a consumer collateralized by a junior lien when another lender holds an intervening lien. For example, you hold the second lien and another lender holds the first lien, or you hold the first lien and the third lien, but do not hold the second lien (intervening lien). Report the junior lien on CCR505, 100% Risk weight: All Other Assets.
4. Foreclosed real estate. Report on CCR505, 100% Risk weight: All Other Assets.
5. Loans to individuals to construct their own home that are not qualifying residential construction loans as defined in 12 CFR § 567.1. Report on CCR505, 100% Risk weight: All Other Assets.
6. The portion of loans guaranteed by FHA that may be risk weighted at 20 percent. Report on CCR450.
7. Loans to commercial entities collateralized by mortgages of third-party borrowers (warehouse loans), or small business loans collateralized by a lien on a residential property. Report on CCR505, 100% Risk weight: All Other Assets.

CCR465: Qualifying Multifamily Residential Mortgage Loans

Qualifying Multifamily Mortgage Loans (12 CFR § 567.1) Under Current Rule

Report the carrying value plus accrued interest receivable, of permanent, first mortgages secured by first liens on multifamily residential properties consisting of five or more dwelling units that meet **all** the following criteria:

1. Amortization of principal and interest occurs over a period of not more than 30 years.
2. Original minimum maturity for repayment of principal on the loan is not less than seven years.
3. At the time you placed the loan in the 50 percent risk-weight category, the owner had made all principal and interest payments on the loan for the preceding year on a timely basis according to the loan terms (not 30 days or more past due).
4. The loan is performing and not 90 days or more past due.
5. You made the loan according to prudent underwriting standards.
6. The current outstanding loan balance does not exceed 80 percent (75 percent for variable rate loans) of the value of the property securing the loan. "Value of the property" (when you originate a loan to purchase a multifamily property) means the lower of either the purchase price or the amount of the initial appraisal, or if appropriate, the initial evaluation. Where a purchaser is not purchasing a multifamily property, but taking a new loan on his currently owned property, determine the value of the property by the most current appraisal, or if appropriate, the most current evaluation.
7. For the property's most recent fiscal year, the ratio of annual net operating income generated by the property, before payment of any debt service on the loan, to annual debt service on the loan is not less than 120 percent, (115 percent for variable-rate loans). In the case of cooperative or other not-for-profit housing projects, the property generates sufficient cash flows to provide you comparable protection.

In cases where a borrower refinances a loan on an existing property, instead of complying with criteria (3) and (7) above, a loan may qualify by satisfying the following criteria:

1. For the preceding year, the owner made all principal and interest payments on the loan being refinanced on a timely basis, not 30 days or more past due, according to the loan terms.
2. The net income on the property for the preceding year would have supported timely payment of principal and interest on the new loan according to the applicable debt service requirement.

12 CFR § 567.1 defines residential property as houses, condominiums, cooperative units, and manufactured homes. This definition does not include hospitals and nursing homes. Manufactured homes are those subject to HUD regulations under Title VI of the U.S. Code.

Include mortgage loans on mixed-use properties that are primarily multifamily residential properties if they satisfy the criteria for qualifying multifamily mortgage loans.

Grandfathered Qualifying Multifamily Mortgage Loans

Qualifying multifamily mortgage loans include multifamily mortgage loans that on March 18, 1994, met the criteria of qualifying multifamily mortgage loans under our capital rule on March 17, 1994, and continue to meet those criteria, namely:

1. An existing property consisting of 5 to 36 dwelling units secures the mortgage.
2. The initial LTV ratio is not more than 80 percent.
3. For the past full year, the property's average annual occupancy rate is 80 percent or more of total units.

CCR470: Other MBS Backed by Qualifying Mortgage Loans

Report MBS, other than high quality MBS reported on CCR430, secured by **qualifying single-family** residential mortgage loans eligible to be reported on CCR460 or **qualifying multifamily** residential mortgage loans eligible to be reported on CCR465. Include POs secured by qualifying single-family or multifamily residential mortgage loans unless you can report them on CCR430.

If **qualifying multifamily residential mortgage loans** back the securities, you must receive timely payments of principal and interest according to the terms of the security. Generally, consider payments timely if they are not 30 days or more past due.

Note that if you have a subordinate class of an otherwise 50% risk-weight, high-quality MBS, you must gross up and risk weight your security plus the balance of all classes senior to it. However, if you are able to utilize the ratings based approach (12 CFR 567.6), it is not necessary to gross up the more senior positions. See also CC455, CC465, and CC468.

Also include asset-backed securities eligible for 50% risk weight under the ratings-based approach ("A" rated that meet all the criteria of the ratings based approach).

Do not include:

1. Interest Only Strips. Report credit-enhancing interest-only strips as residuals. Refer to the definitions in 12 CFR 567.1 and to the capital treatment in 12 CFR 567.6(b). See instructions for lines CCR133, CCR170, CCR375, CCR605, and SI402. Report IO and PO strips that are not credit enhancing of otherwise high quality MBS on CCR505, 100% risk weight.

CCR475: State and Local Revenue Bonds

Report securities issued by state and local governments where the revenues from a stated project such as a toll road repay the security.

CCR480: Other

Report all fifty-percent risk-weight assets not included above as defined in 12 CFR § 567.6(a)(1)(iii).

Include:

1. The credit equivalent amount of interest and exchange rate contracts (interest-rate swaps and caps) where the counterparty is an entity other than a domestic depository institution, a FHLBank, or a Federal Reserve Bank.
2. Revenue bonds issued by any public-sector entity in an OECD country that are payable solely from the revenues generated from the project financed through the issuance of the obligations.
3. Qualifying residential construction loans, also called residential bridge loans, meeting the criteria of 12 CFR § 567.1. Such loans must satisfy the following criteria:
 - a. You must make the loan according to sound lending principles to a builder with at least 15 percent equity in the project (or higher, depending upon the risk of the project) who will construct a one- to four-family residence that, when sold, will be owner-occupied.
 - b. You must obtain sufficient documentation from a permanent lender (that may be the construction lender) demonstrating all the following:
 - i. The homebuyer intends to purchase the residence.
 - ii. The homebuyer has the ability to obtain a permanent qualifying mortgage loan sufficient to purchase the residence.
 - iii. The homebuyer has made a substantial earnest money deposit.
 - c. The construction loan must meet all the following requirements:
 - i. Not exceed 80 percent of the sales price of the residence.

- ii. Be secured by a first lien on the lot, residence under construction, and other improvements.
- iii. Be performing and not more than 90 days past due.
- d. The home purchaser(s) must intend that the home will be owner-occupied and must not be a business entity or any entity that is purchasing the home(s) for speculative purposes.
- e. You must retain sufficient undisbursed loan funds throughout the construction period to ensure project completion. The builder must incur a significant percentage of direct costs; for example, the actual costs of land, labor, and material, before he draws on the loan.

CCR485: Total

The EFS software will compute this line as the sum of CCR460 through CCR480.

CCR50: 50% Risk-weight Total

The EFS software will compute this line as 50 percent times CCR485, the risk-weighted product of all 50 percent risk-weight assets.

100% Risk weight**CCR505: All Other Assets**

Report all other assets except those included above or in any other risk-weight category.

Include:

1. Consumer loans.
2. Commercial loans.
3. All assets that are nonperforming or more than 90 days past due, except FDIC covered assets. Report FDIC covered assets on CCR410, 0 % Risk weight.
4. All repossessed assets including repossessed real estate (REO), other repossessed assets, and equity investments that have the same characteristics as REO, for example stock from an REO workout firm that has been approved for inclusion in the 100% risk-weight category;
5. First and junior mortgages on one- to four-family dwelling unit properties that do not qualify for inclusion on CCR460 (50% Risk weight: Qualifying Single family Residential Mortgage Loans).
6. Multifamily mortgage loans that do not meet the qualifying criteria for inclusion on CCR465, 50% Risk weight: Qualifying Multifamily Residential Mortgage Loans.
7. Residential construction loans, except those to individuals to build their own homes that are reported on CCR460, and except qualifying residential construction loans (bridge loans) as defined in CCR480.
8. Land loans less that portion that you deduct from capital and report on CCR370, Assets Required to be Deducted.

CMR339: Rate Index Code

From the List of Interest Rate Index Codes in Appendix A, determine the rate index code that represents the largest percentage of your adjustable-rate consumer loans. For example, if you had a consumer loan portfolio of 75 percent auto loans that use the prime rate as an index, and 25 percent mobile home loans that use the six-month Treasury bill rate as an index, you would report the code for the prime rate, Code 830.

CMR341: Margin

For the adjustable-rate consumer loans tied to the index on CMR339, calculate the weighted-average margin as described in the general instructions to Schedule CMR. Report the result, in basis points. Do not include adjustable-rate consumer loans tied to indices other than the one reported on CMR339. If the balances used by the margin are asset-backed securities, use the net margin (subtract the servicing spread). If they are credit card balances, do not include balances expected to pay off within the interest free grace period. See the calculation of the WAC for fixed-rate consumer loans for an example.

CMR343: Reset Frequency

For the adjustable-rate consumer loans tied to the index on CMR339, report the coupon reset frequency, in months. If the loans tied to the index on CMR339 reset with varying frequencies, calculate the weighted-average reset frequency in the same manner as the WARM described in the general instructions to Schedule CMR.

Fixed-rate

Report the following items for performing fixed-rate consumer loans and pass-through securities backed by such loans. Report pay-through securities in Cash, Deposits, and Securities on CMR461 through CMR481 or as code 121 in Supplemental Reporting of Market Value Estimates, as appropriate.

CMR336: Balances

Report the outstanding balance of fixed-rate consumer loans and the outstanding balances of asset-backed securities backed by fixed-rate consumer loans.

CMR338: Weighted-Average Remaining Maturity (WARM)

Calculate the WARM for all fixed-rate consumer loans and asset-backed securities as described in the general instructions to Schedule CMR. Do not include credit card balances expected to pay off in the interest-free grace period.

$$\begin{aligned}
 \text{WARM} &= \frac{\$100,000 (48) + \$70,000 (60)}{\$170,000} \\
 &= 52.94 \\
 &= 53 \text{ months} - \text{rounded to the nearest month}
 \end{aligned}$$

CMR342: Weighted-Average Coupon (WAC)

Calculate the WAC for all fixed-rate consumer loans as described in the general instructions to Schedule CMR. For asset-backed securities, use the coupon of the security, the pass-through rate, not the coupon of the collateral. Do not include credit card balances expected to pay off within the interest-free grace period.

Example: You have \$100,000 of fixed-rate credit card balances with a stated rate of 18 percent, and \$100,000 of auto loans with a coupon of 10 percent. You estimate that 30 percent of the credit card balances typically pay off within the interest free grace period. Calculate the WAC for consumer loans as follows.

$$\begin{aligned} \text{WAC} &= \frac{\$70,000 (18.0\%) + \$100,000 (10.0\%)}{\$170,000} \\ &= 13.29\% \end{aligned}$$

Supplemental Reporting

If you hold a variety of types of consumer loans – auto loans, credit cards, education loans – or adjustable-rate consumer loans tied to a variety of different indices you may wish to report those balances disaggregated by loan type or index type in the Supplemental Reporting Section. The additional detail improves the estimates produced by the OTS Model. For information, see the instructions for Supplemental Reporting for Assets and Liabilities.

MORTGAGE-DERIVATIVE SECURITIES — BOOK VALUE

Mortgage-derivative securities include the following items:

1. Collateralized mortgage obligation (CMO) tranches.
2. Stripped mortgage-backed securities (SMBS).
3. CMO residuals.

All mortgage derivatives must be self-valued and reported in the Supplemental Reporting of Market Value Estimates Section. See the instructions for Supplemental Reporting of Market Value Estimates.

In the lines described below, report mortgage-derivative securities at the same amount that you reported in Schedule SC. See general instructions for reporting Cash, Deposits, and Securities located immediately before the instructions for SC10. Enter securities in the high risk or low risk columns based on whether the following high-risk test would classify them as high risk or low risk:

A mortgage-derivative security is high risk if it meets any of the following criteria:

1. The expected remaining weighted-average life¹ of the security exceeds ten years.
2. The expected remaining weighted-average life of the security extends by more than four years for an immediate and sustained parallel shift in the yield curve of plus 300 basis points.
3. The expected remaining weighted-average life of the security shortens by more than six years for an immediate and sustained parallel shift in the yield curve of minus 300 basis points; or
4. The estimated change in the price of the security is more than 17 percent, due to an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

Report all high-risk, mortgage-derivative securities in the appropriate cells in the column *High Risk*. Report all mortgage-derivative securities that the test does not classify as high risk in the appropriate cells of the column *Low Risk*.

Floating-rate tranches that use a conventional widely used index are only subject to item 4 above if the current interest rate on the tranche is below the maximum contractual interest rate on the tranche, the cap

¹ Weighted Average Life (WAL) is a measure of the expected time until repayment of principal on a mortgage-backed security. WAL, in years, is calculated as:

$$\text{WAL} = \frac{P_1 + (2 \times P_2) + (3 \times P_3) + \dots + (M \times P_M)}{(12 \times \text{Outstanding Balance})}$$

Where M = remaining number of months to maturity,
P₁, P₂, etc. = expected principal payments in each future month.

LIABILITIES

Annual Percentage Yields

Unless otherwise stated in the reporting instructions, report the interest rates for all liabilities as annual percentage yields (APYs). The rates and balances used in calculating the APY should be those as of the reporting date, unless otherwise stated in the reporting instructions. If the APY is equal to zero, report .01, one basis point.

In general, APY reflects the relationship between a given principal balance and the amount of interest that it would earn for a three hundred sixty-five day year. Calculate the APY using the following general formula:

$$APY = 100 [(1 + \text{Interest/Principal})^{(365/\text{Days in Term})} - 1]$$

Where: Principal = The amount of funds on deposit as of the reporting date.

Interest = The total dollar amount of interest that you will pay on the Principal over the remaining term of the account.

Days in Term = The actual number of days remaining to maturity. You can use the above formula to compute the APY for instruments of any maturity.

We base the following examples on balances and rates as of the reporting date:

Example:

You will pay \$30.37 in interest on a \$1,000 certificate of deposit with six months remaining to maturity, where the six month period contains 182 days. Calculate the APY as follows:

$$\begin{aligned} APY &= 100 [(1 + 30.37/1,000)^{(365/182)} - 1] \\ &= 6.18\% \end{aligned}$$

Suppose now that you will pay \$133.13 in interest on a \$1,000 certificate of deposit with two years remaining to maturity, where the two-year period contains 730 days. Calculate the APY as follows:

$$\begin{aligned} APY &= 100 [(1 + 133.13/1,000)^{(365/730)} - 1] \\ &= 6.45\% \end{aligned}$$

Use Days in Term equal to 365 for accounts without a stated maturity. For example, you pay \$61.68 in interest for \$1,000 deposited in a NOW account for 365 days, assuming the depositor makes no further withdrawals or deposits during that time. Calculate the APY as follows:

$$\begin{aligned} APY &= 100 (61.68/1,000) \\ &= 6.17\% \end{aligned}$$

Reporting of Deposit Information

Schedule CMR collects information on early withdrawals during the quarter for CDs and the balances deposited in new accounts during the quarter for CDs and nonmaturity deposits. We use this information to develop core deposit attrition rate estimates. The OTS Net Portfolio Value Model uses attrition rate estimates to estimate the interest rate sensitivity of your core deposits. Refer to the instructions for the specific line items for definitions of early withdrawals and new accounts.

Reporting the information on early withdrawals and balances deposited in new accounts is optional for only those institutions with total assets (SC60) of less than \$300 million.

FIXED-RATE, FIXED-MATURITY DEPOSITS

CMR601-CMR603, CMR615-CMR617, CMR631-CMR632, and CMR641: Balances

Report each outstanding CD balance in the cell corresponding to its remaining maturity and original maturity.

Include:

1. CDs.
2. Notice accounts.
3. Consecutive monthly payment accounts – for example, Christmas Club accounts.

Do not include:

Variable-rate, fixed-maturity deposits. Use code 200 to report these deposits in **Supplemental Reporting for Assets and Liabilities**.

Note: We include notice accounts in the maturity/repricing column that corresponds to the remaining term of the notice period. We include consecutive monthly payment accounts in the maturity/repricing column that corresponds to the remaining term required to qualify for the bonus rate.

CMR605-CMR607, CMR619-CMR621, CMR634-CMR635, and CMR643: Weighted-Average Coupon (WAC)

Report the weighted-average APY of the CD balances reported in each of the nine cells listed above. Calculate the weighted-average APY in the same way as described for the WAC in the general instructions to Schedule CMR.

CMR608-CMR610, CMR622-CMR624, CMR636-CMR637, and CMR644: Weighted-Average Remaining Maturity (WARM)

Report the WARM, in months, of the CD balances reported in each of the nine cells listed above. We describe how to calculate the WARM in the general instructions to Schedule CMR.

CMR604, CMR618, CMR633, and CMR642: Early Withdrawals during Quarter

Report CDs (or portions of CDs) that meet **both** of the following criteria:

1. Were subject to early withdrawal penalties.
2. Were withdrawn during the quarter before their contractual maturity.

Report balances withdrawn before maturity in the maturity bucket corresponding to what the remaining maturity of those balances would have been at the quarter's end had they not been withdrawn.

CMR645: Total Fixed-Rate, Fixed-Maturity Deposits (CDs)

The EFS software automatically computes this line as the sum of CMR601 through CMR603, CMR615 through CMR617, CMR631, CMR632, and CMR641.

MEMO: FIXED-RATE, FIXED-MATURITY DEPOSIT DETAIL:**CMR650 through CMR652: Balances in Brokered Deposits**

For the total CD balances reported in each original maturity column, determine the portion that are brokered deposits. Report these balances for each original maturity. The term brokered deposit, defined in 12 CFR § 337.6, refers to funds obtained, directly or indirectly, by or through any deposit broker.

Example: You report \$125,000 on CMR602, \$225,000 on CMR616, and \$250,000 on CMR631. Of the three balances, \$50,000, \$25,000, and \$35,000, respectively, are in brokered accounts. You would report \$110,000 (= \$50,000 + \$25,000 + \$35,000) on CMR651.

Deposits with Early-withdrawal Penalties Stated in Terms of Months of Forgone Interest:**CMR653 through CMR655: Balances Subject to Penalty**

For the balances reported in each original maturity column, determine the portion subject to early withdrawal penalties (EWP) stated in months of forgone interest. Report these balances for each original maturity column. Do not include CDs having EWP stated differently (flat penalty, market-related penalty).

Example: You report \$125,000 on CMR602, \$225,000 on CMR616, and \$250,000 on CMR631. Of the \$125,000 balance, \$100,000 are CDs with an EWP of 1.12 month's interest. Of the \$225,000 and \$250,000 balances, a total of \$450,000 are CDs with an EWP requiring forfeiture of 1.98 months' interest. You would report \$550,000 (= \$100,000 + \$450,000) on CMR654.

CMR656 through CMR658: Penalty in Months of Forgone Interest

For the balances reported in each original maturity column, and totaled on CMR653 through CMR655, report the weighted-average EWP in months of foregone interest for each year (or fraction of a year) of contractual maturity. Report to two decimal places. Report these for each original maturity column.

Example: You report \$125,000 on CMR602, \$225,000 on CMR616, and \$250,000 on CMR631. Of the \$125,000 balance, \$100,000 are CDs with an EWP of 1.12 month's interest. ¹ Both the \$225,000 and \$250,000 aggregate balances are CDs with an EWP requiring forfeiture of 1.98 months' interest. You would calculate the weighted-average EWP on CMR657 as follows:

$$\begin{aligned} \text{EWP} &= \frac{(100,000 \times 1.12) + (475,000 \times 1.98)}{(100,000 + 475,000)} \\ &= 1.83 \text{ months} \end{aligned}$$

CMR659 through CMR661: Balances in New Accounts

New accounts are those where a customer, who did not previously have a fixed-rate, fixed-maturity deposit, acquires one, or where the contract terms have changed on an existing account. For purposes of CMR, a **new account** where the contract terms have changed is one in which:

- There has been a change in the name of the account (including additional or dropped owners), or

¹ The early withdrawal penalties are in months of forgone interest for each year (or fraction of a year) of remaining maturity.

$$\text{EWP} = \frac{(\text{Penalty in \$})}{(\$ \text{ Interest paid over remaining maturity})} \times 12 \text{ months per year}$$

- The maturity of the new CD is for a different term than the matured CD (that is, it would fall into a different maturity bucket).

For rollovers, if there has been no change in the ownership of the account and the maturity of the new CD is within the same maturity bucket, the new CD is **not** considered a **new account** even if new funds are added to the CD.

For example, a three-month CD issued during the quarter would **not** be a **new account** if the account holder had a CD with original maturity of 12 months or less that matured during the quarter. A CD would be a **new account** if it were a 3-month CD rolled over from a CD with an original maturity of more than 12 months or if a three-month CD were rolled over to a 24-month CD. In both of these cases the maturity bucket has changed.

Also include as new accounts:

1. Accounts where there has been a name added or deleted.
 2. Deposits acquired from an acquisition of a depository institution or its branches or from other bulk purchase of deposits.
- On CMR659, report the portion of balances on CMR601 and CMR615 that are new CD balances with original maturities of 12 months or less.
 - On CMR660, report the portion of balances on CMR616 and CMR631 that are new CD balances with original maturities of 13 to 36 months.
 - On CMR661, report the portion of balances on CMR632 and CMR641 that are new CD balances with original maturities of 37 or more months.

FIXED-RATE, FIXED-MATURITY FHLB ADVANCES, OTHER BORROWINGS, REDEEMABLE PREFERRED STOCK, AND SUBORDINATED DEBT

CMR675-CMR677, CMR679-CMR681, CMR683-CMR685, CMR687-CMR689, CMR691-CMR693, CMR695-CMR697, CMR699-CMR701, CMR703-CMR705: Balances

Report each outstanding balance of fixed-rate, fixed-maturity borrowings in the cell corresponding to its coupon class and remaining maturity.

Include:

1. FHLB advances.
2. Commercial bank loans.
3. Repurchase agreements.
4. Retail repurchase agreements.
5. Commercial paper issued.
6. Subordinated debt.
7. Redeemable preferred stock.
8. All other borrowings.

Do not include:

1. Notice accounts. Report on CMR601 to CMR661.
2. Consecutive monthly payments accounts. Report on CMR601 to CMR661.
3. Collateralized mortgage securities issued. Report on CMR785.

4. Structured borrowings. Report on Supplemental Reporting of Market Value Estimates, see below.
5. Variable-rate, fixed maturity borrowings. Report on Supplemental Reporting for Assets and Liabilities.

Distribute amortizing instruments across remaining maturity columns, in the appropriate coupon class, according to their contractual principal repayment schedules. For example, a \$120,000 note, with an APY of 9.5 percent and remaining maturity of ten years, amortizes as follows:

1. \$3,000 in the next three months.
2. \$33,000 in months four through 36.
3. \$84,000 in the last 84 months.

You would report the note on CMR695, CMR696, and CMR697 as \$3,000, \$33,000, and \$84,000, respectively.

Structured Borrowings

For the purpose of these instructions, structured borrowings include borrowings or FHLB advances with embedded options or derivative-like features where the borrowings' coupon, average life, or redemption value is dependent on a reference rate, and index, or a formula. The term **structured borrowings** includes, but is not limited to, putable or callable borrowings, variable-rate borrowings with embedded caps, floors or collars, step-up variable rate borrowings, or amortizing borrowings.

OTS requires **all** institutions to report the market value of each structured borrowing in Supplemental Reporting of Market Value Estimates. Refer to the Supplemental Reporting of Market Value Estimates sections of these instructions for guidance on reporting market value estimates.

CMR678, CMR682, CMR686, CMR690, CMR694, CMR698, CMR702, CMR706: WAC

Report the **weighted-average coupon** (WAC) of the balances reported in each coupon class. To calculate the WAC, first determine the APYs of borrowings that you report in each coupon class. For instance, for the 5.00 to 5.99 percent class, determine the APYs of borrowings reported on CMR679 through CMR681. Second, for each coupon class, use these yields to calculate the WAC, as described in the general instructions to Schedule CMR.

CMR711 through CMR713: WARM

Report the **weighted average remaining maturity** (WARM) for each remaining maturity column. To calculate the WARM, first determine the remaining maturity of each of the borrowings that you report in each remaining maturity class. For example, for the 0 to 3 months column, determine the remaining maturity of borrowings on CMR675, CMR679, CMR683, CMR687, CMR691, CMR695, CMR699, and CMR703. Second, for each remaining maturity class, use these remaining maturities to calculate the WARM, as described in the general instructions to Schedule CMR.

CMR715: Total Fixed-Rate, Fixed-Maturity Borrowings

The EFS software automatically computes this line as the sum of CMR675 through CMR677, CMR679 through CMR681, CMR683 through CMR685, CMR687 through CMR689, CMR691 through CMR693, CMR695 through CMR697, CMR699 through CMR701, and CMR703 through CMR705.

Memo:**CMR755: Book Value of Redeemable Preferred Stock**

Report the book value of redeemable preferred stock of the type reported on SC799.

NONMATURITY DEPOSITS**CMR762 through CMR763: Transaction Accounts**

12 CFR § 561.29 defines transaction accounts and they include NOW, Super NOW, and other interest-bearing transaction accounts. Report total balances of all interest-bearing transaction accounts on CMR762.

Report the WAC for total interest-bearing transaction account balances on CMR763. Determine the APYs of balances on CMR762. Use these to calculate the weighted-average APY in the same manner as the WAC computation described in the general instructions to Schedule CMR, and report it on CMR763.

CMR764: Balances in New Accounts

Balances in New Accounts are end-of-quarter balances in accounts where holders had no transaction accounts with you at the end of the prior quarter.

CMR765 through CMR766: Money Market Deposit Accounts

12 CFR § 561.28 or applicable state law defines money market deposit accounts (MMDAs). Report total balances of MMDAs on CMR765.

Report the WAC for MMDA balances on CMR766. Determine the APYs of balances on CMR765. Use these to calculate the weighted-average APY, in the same manner as the WAC computation described in the general instructions to Schedule CMR. Report the result on CMR766.

CMR767: Balances in New Accounts

Balances in New Accounts are end-of-quarter balances in accounts whose holders had no MMDA with you at the end of the prior quarter.

CMR768 through CMR769: Passbook Accounts

Passbook accounts consist of all nonmaturity deposits not on CMR762, CMR765, and CMR771. Report total balances of Passbook Accounts on CMR768.

Report the WAC for passbook accounts balances on CMR769. Determine the APYs of balances on CMR768. Use these to calculate the weighted-average APY, in the same manner as the WAC computation described in the general instructions to Schedule CMR. Report the result on CMR769.

CMR770: Balances in New Accounts

Balances in New Accounts are end-of-quarter balances in accounts where holders had no passbook accounts with you at the end of the prior quarter.

CMR771: Noninterest-Bearing Nonmaturity Deposits

Report balances of all nonmaturity deposit accounts that are permanently non-interest-bearing on CMR771. Do not include balances in nonmaturity deposits, transaction accounts or MMDAs, that do not currently earn interest because they are below the contracted minimum balance required to earn interest.

CMR773: Balances in New Accounts

Balances in **new accounts** are end-of-quarter balances in accounts where holders had no noninterest-bearing nonmaturity deposits with you at the end of the prior quarter.

Also include as new accounts:

1. Accounts where there has been a name added or deleted.
2. Deposits acquired from an acquisition of a depository institution or its branches or from other bulk purchase of deposits.

ESCROW ACCOUNTS

Escrow accounts include the types of accounts on SC783 that you report in Schedule CMR as follows:

- Report balances of escrow accounts associated with single-family first mortgages that you own on CMR775.
- Report balances of tax and insurance escrows associated with single-family first mortgages serviced for others on CMR777.
- Report balances of principal and interest escrows established pursuant to loan servicing agreements, including those in custodial accounts, on CMR786, Miscellaneous Liabilities I.
- On CMR779, report balances of all escrow accounts not on CMR775, CMR777, and CMR786.
- Report escrow accounts associated with mortgages that you partially own according to the percentage of ownership.

Example: You sell an 80 percent participating interest in a pool of mortgages and retain the servicing. You have \$60,000 in tax and insurance escrow accounts and \$40,000 in principal and interest escrow accounts associated with the pool of mortgages. You would report the following amounts: on CMR775, \$12,000 ($= \$60,000 \times .20$); on CMR777, \$48,000 ($= \$60,000 \times .80$); and on CMR786, \$40,000.

Report the WAC of escrows on CMR775, CMR777, and CMR779 on CMR776, CMR778, and CMR780, respectively. Calculate the WAC as described in the general instructions to Schedule CMR. If the WAC is zero, report 0.01, one basis point.

CMR781: Total Nonmaturity Deposits and Escrow Accounts

The EFS software automatically computes this line as the sum of CMR762, CMR765, CMR768, CMR771, CMR775, CMR777, and CMR779.

CMR782: Unamortized Yield Adjustments on Deposits

Report on CMR782 unamortized yield adjustments of the type on SC715. Also include the component of the carrying value of deposit liabilities that consists of accumulated gains and losses, the change in fair value on the deposits, attributable to the designated risk being hedged on a qualifying fair value hedge under FASB Statement No. 133.

CMR784: Unamortized Yield Adjustments on Borrowings

Report on CMR784 unamortized yield adjustments applicable to liabilities of the types on the following line items:

1. SC720 (Advances from FHLBank).
2. SC730 (Federal Funds Purchased and Securities Sold Under Agreements to Repurchase).
3. SC735 (Subordinated Debentures, Including Mandatory Convertible Securities).
4. SC740 (CMOs, Including REMICs).
5. SC745 (Other Mortgage Collateralized Securities Issued).
6. SC760 (Other Borrowings).

Add to this amount any unamortized yield adjustments related to redeemable preferred stock of the type on SC799. Also include the component of the carrying value of borrowings that consists of accumulated gains and losses (the change in fair value on the borrowings) attributable to the designated risk being hedged on a qualifying fair value hedge under FASB Statement No. 133.

OTHER LIABILITIES**CMR785: Collateralized Mortgage Securities Issued**

Report the carrying value of collateralized mortgage securities issued that you do not record as sales in accordance with GAAP. See FASB Statement No. 77, *Reporting by Transferors of Receivables with Recourse* and FASB Technical Bulletin 85-2, *Accounting for Collateralized Mortgage Obligations*. Include CMOs and other collateralized mortgage securities issued.

CMR786: Miscellaneous Liabilities I

Report amounts of the types included on SC763, Accrued Interest Payable on Deposits, SC766, Accrued Interest Payable on Other Liabilities, SC776, Accrued Taxes, and SC780, Accounts Payable.

Include amounts of the types on line SC796, Other Liabilities and Deferred Income, except for the following:

1. Financial option fees received.
2. Deferred net gains (losses) on liability hedges.
3. Negative goodwill.
4. Derivative instruments in a loss position at fair value.

For definitions of these items, see the instructions for line SC796, code numbers 02, 03, 12, and 20, respectively.

Also report on CMR786, balances in principal and interest escrow accounts established pursuant to loan servicing agreements.

APPENDIX A

LIST OF INTEREST RATE INDEX CODES

<u>Code</u>	<u>Index</u>
303	3-month Treasury security
306	6-month Treasury security
312	1-year Constant Maturity Treasury (12-month Average Index)
324	2-year Constant Maturity Treasury
336	3-year Constant Maturity Treasury
360	5-year Constant Maturity Treasury
370	7-year Constant Maturity Treasury
380	10-year Constant Maturity Treasury
401	1-month London Interbank Offered Rate (LIBOR)
403	3-month London Interbank Offered Rate (LIBOR)
406	6-month London Interbank Offered Rate (LIBOR)
412	1-year London Interbank Offered Rate (LIBOR)
431	FannieMae LAMA Index (to be used for liabilities only)
503	3-month FHLB advance rate
506	6-month FHLB advance rate
512	1-year FHLB advance rate
524	2-year FHLB advance rate
536	3-year FHLB advance rate
548	4-year FHLB advance rate
560	5-year FHLB advance rate
603	3-month fixed-rate CD rate
606	6-month fixed-rate CD rate
612	1-year fixed-rate CD rate
660	5-year fixed-rate CD rate
710	FHLMC/FNMA 30-year, fixed-rate mortgage commitment rate
720	National Average Contract Rate for the Purchase of Previously Occupied Homes
800	Federal funds rate
811	11th District FHLB Cost-of-Funds Index (COFI)
812	Lender's own Cost-of-Funds
820	Federal Cost-of-Funds Index
830	Prime rate
900	Fixed-rate
910	Rate adjusted at lender's discretion
911	Any other index